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Belgium	200.00	Italy	1000	Spain	1000	France	1000
Canada	100.00	Japan	1000	Switzerland	1000	Germany	1000
Denmark	100.00	South Korea	1000	UK	1000	Spain	1000
France	100.00	Taiwan	1000	USA	1000	Italy	1000
Germany	100.00	Thailand	1000	West Germany	1000	Japan	1000
Greece	100.00	Turkey	1000	Belgium	1000	France	1000
Hong Kong	100.00	USA	1000	Canada	1000	Denmark	1000
India	100.00	West Germany	1000	Spain	1000	Italy	1000

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,456

Friday February 5 1988

D 8523 A

Greek Socialists on a tricky financial course, Page 2

World News Business Summary

Chirac ahead in opinion polls

Prime Minister Jacques Chirac started to move ahead in opinion polls as the French presidential election campaign gained momentum, overtaking Raymond Barre, his rival on the right wing. Page 18

Striking UK seamen defy court order

Thousands of British seamen continued to disrupt UK ferry and freight traffic despite union leaders' instructions to comply with a High Court order and return to work. Page 8

Thailand jet shot down

A Thai fighter-bomber was shot down over the Laotian frontier and Thailand said Vietnam was directly involved in the border conflict with Laos. Page 3

Palestinian raid

Palestinian guerrillas crossed into Israel from Lebanon and shot down two Israeli soldiers in an ambush. One guerrilla was killed and another wounded and captured. Page 3; Deporesses' voyage cancelled, Page 2; US peace initiative, Page 18

Chemical arms call

The foreign ministers of West Germany and Italy called in Geneva for work on a treaty banning chemical weapons to be completed by the end of the year. Page 2

Cuban conditions

Cuba said it would begin withdrawing its troops from Angola only after South Africa pulled out its soldiers and ended its rule of South West Africa (Namibia). Page 18

Polish demonstration

Club-wielding Polish riot police broke up an anti-price hike demonstration by hundreds of Solidarity supporters following a Roman Catholic Mass at a Gdansk church attended by union leader Lech Walesa, opposition sources said. Page 18

Goria on a thread

Giovanni Goria's Italian Government was hanging by a thread, uncertain whether it would win parliamentary approval for its budget. Page 2

Zambia aid blocked

The US halted fresh development aid to Zambia until Lusaka started repaying nearly \$4m in debt arrears. Page 18

EC 'dating service'

The European Commission was to become marriage broker to help small and medium-sized companies in poorer regions of the Community forge links with other EC enterprises. Page 2

Malaria on increase

The incidence of malaria in the central African state of Rwanda increased fivefold from 1,948 cases per 100,000 people in 1976 to 10,381 cases in 1987. Page 18

Bank jobs 'threatened'

Up to 75,000 people working in London and New York financial sectors could lose their jobs in the wake of last October's world stock market crash, a senior international banker said in Zurich. Page 18

Noriega indictment

US federal prosecutors put the final touches to an indictment against Panamanian ruler Gen Manuel Antonio Noriega on drug smuggling and racketeering charges. Page 5

Nigerian births plan

The ruling council of Nigeria's military Government approved a population policy which could limit mothers to four children, Justice Minister Bola Ajibola said. Page 18

New twist in battle for Société Générale

A MAJOR new combatant entered the battle for Société Générale de Belgique last night when Compagnie Financière de Suez, recently privatised French financial group, announced that it held a 10 per cent stake in Belgium's most powerful business concern. Pages 18; Background, Page 22

BARCLAYS de Zoete Wedd

Investment banking arm of Barclays bank of the UK, has offered early leaving terms amounting to millions of pounds to 15 former partners of De Zoete & Ewan and Wedd Duracher, London stock market firms it bought to create BZW. Page 19

CHEVROLET US motor

manufacturer, increased profits by 8.7 per cent in the fourth quarter, despite a 29 per cent advance in sales. Page 19

MATSA recently privatised

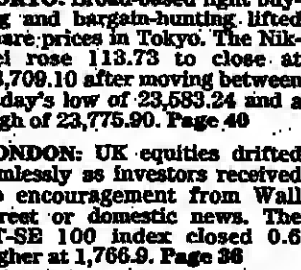
French defence and electronics group, was five times over-subscribed. Mr Edouard Balladur, French Finance Minister, said. Page 19

COCOA prices, which

have fallen steadily since January, declined sharply again in London. Page 19

Cocoa

London 2nd Position Futures (5 per tonne)



don and the second position

of the contract closed down £22 (£30) at £1,072 a tonne. Page 22

WALL STREET: The Dow

closed down 1.1 at 1,923.57. Page 40

TOKYO: Broad-based light

buying and bargain-hunting lifted share prices in Tokyo. The Nikkei rose 113.73 to close at 23,709.10 after moving between a day's low of 23,583.24 and a high of 23,775.90. Page 40

LONDON: UK equities drifted

aimlessly as investors received no encouragement from Wall Street or domestic news. The FT-SE 100 index closed 0.6 higher at 1,765.9. Page 30

DOLLAR closed in New York

at DM1.6830; FFfr5.6810, SFfr1.3755, Y127.90. It closed in London at DM1.6900 (DM1.6880); FFfr5.7025 (FFfr5.6925); SFfr1.3820 (SFfr1.3795); and Y128.50 (Y127.90). Page 29

STERLING closed in New York

at £1.7695. It closed in London at £1.7625 (£1.7675); DM2.9800 (DM2.9825); FFfr10.0500 (FFfr10.0625); SFfr2.4350 (SFfr2.4325); and Y226.50 (Y226.00). Page 29

EASTMAN KODAK, photo

graphic group, under strong selling pressure since launched a \$5.1bn bid for Sterling Drug last month, has produced a sharp recovery in fourth-quarter net results - although its stock price fell further. Page 19

DAIHATSU, Japanese vehicle

manufacturer, reported a 29 per cent jump in pre-tax profits for the six months ended December. Page 21

KLM, Royal Dutch Airline,

surprised the Amsterdam stock market by announcing a 68 per cent rise in third-quarter profits. Page 22

CARLSBERG, Danish brewer,

is the first foreign beer group to acquire a brewery in West Germany. Page 22

GANNETT, big US news media

group, reported a 20 per cent advance in net earnings in the fourth quarter, as USA Today, its nationwide daily newspaper, moved into profit for the first time. Page 19



The main players: Wright, Arias, Ortega and Reagan

Defiant Reagan vows to continue seeking aid to Contra rebels

BY LIONEL BARBER IN WASHINGTON

PRESIDENT RONALD Reagan vowed to continue fighting for aid to the Nicaraguan Contra rebels and blasted a Congressional vote which cut off US funding.

Mr Reagan, grim-faced as he left a religious assembly, was asked what he intended to do for the Contras after last Wednesday night's narrow defeat in the House of Representatives. "Help 'em," he replied.

The White House's options are limited because, under House rules, the defeat removes any guarantee of a further Congressional vote on Contra aid, the issue which Mr Reagan has made a bench-mark of his presidency.

The vote ranks as probably the worst foreign policy reverse for the President of his seven-year Administration.

Mr Martin Fitzwater, Mr Reagan's chief spokesman, said the House vote "undercuts the efforts of those brave (Contra) men and women at a critical juncture in the Central American peace process."

He indicated that Mr Reagan intended to hold Congress's hand to the fire, pressuring lawmakers to determine if the Sandinista Government is complying with the regional peace plan which calls for an end to foreign aid to insurgents and democratic reforms.

In Nicaragua, President Daniel Ortega, said the 219-211 vote rejecting President Reagan's request for \$86.2m new aid - including a token \$3.6m lethal assistance - was a vote of hope but it did not signal an end to the civil war.

"It should help the peace plan become a reality," he said.

In Managua, the Sandinista newspaper Barricada yesterday hailed the rejection, but warned that President Reagan would study "new forms of aggression."

The state-run Radio La Primavera broadcast a call to the Contras early yesterday to lay down their arms. "It's useless. It is time to save your life," the broadcast said.

House Democrats rejected Mr Reagan's long-standing argument that the Contras are a vital bulwark against communist expansion in Central America.

Their view prevailed that more US aid could undermine prospects for a ceasefire between the Contras and the Sandinista Government.

Democrats have pledged to introduce an alternative package of humanitarian aid for the Contras. But Mr Fitzwater called the proposal "little more than a refugee plan."

The Contras put a brave face yesterday on the aid cut-off and vowed to continue their six-year-long war against the Sandinista Government.

The vote however casts doubt on the ability of the Contras to hold together their 12,000 strong army and may undermine their bargaining power in the cease-fire talks which they have just had with the Sandinistas in Costa Rica.

The Iran-Contra fiasco resulted largely because the White House, seeking to skirt a ban on US military aid to the rebels, became involved in soliciting funds from third countries and encouraging the creation of a private aid network.

Further revelations about this shadowy network surfaced in Washington yesterday.

According to published newspaper reports, Lt Col Oliver North, the central Iran-Contra figure, had asked the Panamanian leader General Noriega to arrange an East bloc arms shipment to El Salvador which could then be falsely linked to the Sandinistas.

The New York Times said a disloyal Panamanian and former senior adviser to General Noriega, Mr Jose Blandon, had disclosed the secret operation in an interview. Official US policy currently is to persuade General Noriega to step down from power to encourage democracy in Panama.

Vote breaks the spell

President suffers body blow writes Lionel Barber in Washington

WHEN IT finally came, after 12 hours of angry debate and weeks of high-powered lobbying, the vote on the floor of the House of Representatives amounted to the worst foreign policy defeat of Mr Ronald Reagan's presidency.

By turning down, albeit narrowly, Mr Reagan's request for \$86.2m of new aid to the Nicaraguan Contra rebels, the Democrats sold control of the House to the Reagan Doctrine: the argument that only Contra support can invert Central America, becoming communist and a red tide washing ashore at San Diego.

Mr Reagan has used the argument to devastating effect in his dealings with the Congress, snatching a Contra aid victory in 1985, for example, where many had predicted defeat.

But the cost has been high. Unlike the Administration's foreign policy towards the Soviet Union, which enjoys broad bipartisan support, Mr Reagan's Nicaraguan effort has divided the nation.

The 219-211 vote in the House late on Wednesday night suggests those divisions remain as sharp as ever.

While 12 of 177 Republicans voted against Mr Reagan, some 50 Democrats voted, in effect, with him and went on record in support of further Contra aid.

For all the triumphant talk among the House Democrat leadership, headed by Mr Jim Wright of Texas, the victory carries risks for their party as it prepares for the presidential election in November.

Having proclaimed it is time to "give peace a chance in Central America," they have gambled on the Marxist-oriented

Schneider's Télémécanique bid boosts shares in Paris

BY PAUL BETTS IN PARIS

SCHNEIDER, the French industrial conglomerate, said yesterday that it planned to bid for Télémécanique, a leading French electrical engineering and factory automation group with a stock market capitalisation of about FF95bn (\$878m).

The announcement, the terms of which are soon to be released by the French bourse association, immediately sparked renewed takeover speculation on the Paris stock market. Share prices advanced for the fourth consecutive day.

Schneider has been looking out for a large acquisition for some time as part of efforts to redevelop its industrial operations. After Cressat-Loire, its heavy engineering subsidiary, went bankrupt a few years ago, Schneider has been restructuring and redeploying its interests. This has involved the shedding of assets and efforts to reinforce other operations through acquisitions.

Schneider last year shed Jeumont-Schneider, its railway business, to Alstom and recently sold control of Jeumont-Schneider's telephone operations to the Bosch group of West Germany.

With its proposed acquisition of Télémécanique, the group is now seeking to reinforce its operations in electrical engineering. Schneider already controls Merlin-Gérin, the electrical engineering company.

Télémécanique, with sales of FF6.3bn and profits of FF237m in 1986, would significantly strengthen Schneider's position in this market.

Schneider's other main core business is construction and civil engineering, where it controls the French Spic Batignolles group.

Télémécanique has been seen as a potential takeover target. As a defence, the company increased its capital last summer and brought in friendly institutional shareholders.

However, on Wednesday about 6 per cent of the company changed hands in hectic trading on the Paris bourse. The shares rose sharply from FF 3,489 to FF 3,721. They were suspended yesterday.

The announcement of the hostile bid for Télémécanique also prompted active trading in Schneider shares. The big industrial conglomerate is itself regarded as a potential takeover target. About 5 per cent of Schneider shares changed hands with the company's share price rising about 6 per cent.

Coming soon after the takeover battle for Société Générale de Belgique, in which several large French financial groups are taking an active interest, the bid for Télémécanique has given a clear boost to the bourse.

After a depressing January, the main index of the bourse has gained more than 7 per cent during the last four consecutive sessions.

Malaysia's government declared 'illegal' in High Court

By Wong Sulong in Kuala Lumpur

MALAYSIA'S ruling United Malays National Organisation party led by Prime Minister Mahathir Mohamad was plunged into confusion yesterday following a High Court ruling that the party was an "illegal" organisation.

The ruling came in response to a suit by party dissidents who wanted the courts to declare void last April's party elections because of alleged invalid membership in some local party branches. The judge dismissed the petition, but ruled that the existence of illegal branches rendered the party an "illegal" organisation under the country's Societies Act.

While the ruling will not affect Dr Mahathir's position as Prime Minister for the time being, lawyers say that if the judgement is upheld on appeal in the Supreme Court, fresh party elections will have to be held at every level leading to Dr Mahathir having to stand again as party leader.

Dr Mahathir narrowly held on to the presidency of the party in last April's elections when he won by 43 votes over his challenger, Tengku Razaleigh Hamzah, former Trade and Industry Minister. After his victory Dr Mahathir tried to consolidate his position by sacking five ministers who had opposed him, which made it extremely difficult for the two factions to close ranks.

The predominantly Malay party has held power almost continuously since independence in 1957. Malays make up 65 per cent of the country's 15m-plus population. The Chinese, the economically dominant group, constitute 25 per cent.

Malaysia has a history of racial tension which started to intensify again in the latter part of last year. Dr Mahathir attempted to defuse it in November with a widespread security crackdown.

Another battle between the two main factions within the ruling party could threaten national stability.

The ruling that Umno was illegal was made by Mr Justice Harun Hashim of the Kuala Lumpur High Court. In his verdict, Justice Harun dismissed the petition brought by 11 Umno members but by declaring the party illegal, he granted

US renews peace effort for Mid East

BY ROBERT MAUTHNER IN LONDON AND TONY WALKER IN CAIRO

MR RICHARD Murphy, the US Assistant Secretary of State responsible for Middle Eastern Affairs, will meet King Hussein of Jordan in Paris today to discuss the latest US Middle East peace initiative, before flying to London for talks with Sir Geoffrey Howe, the UK Foreign Secretary.

Mr Murphy's stopovers to Europe are part of a tour that will take him to several Middle Eastern states, including Syria, Saudi Arabia and Israel, where he will try to drum up support for a plan that is already causing considerable controversy.

Mr David Mello, UK Minister of State at the Foreign Office, yesterday told journalists that the British Government welcomed the fact that the US was "re-engaged" in the Middle East peace process. However, Washington's proposals do not appear to be in line with European Community policy.

That policy, enshrined in the Venice declaration of 1980 and again in a statement issued in Brussels last year, is expected to be reaffirmed in a declaration following a meeting between King Hussein and EC foreign ministers in Bonn on Monday.

The 12 have always made clear that they consider an international conference to be the right framework for launching Middle East peace talks, a proposal that also has the support of most Arab states. However, the US has been contently lukewarm about such a formula.

While stressing that nothing should be done to discourage the US in its attempts to breathe new life into the Middle East peace process, Mr Mello emphasised that British policy remained unchanged. "Our support for an international conference is well known and it is not a position from which we will easily be driven," he said.

Details of the US proposals have not yet been made public, but they are understood to be tantamount to an accelerated version of the Camp David accord of 1978 on the territories occupied by Israel.

Self-rule for the Israeli-occupied West Bank and Gaza Strip would be followed within one year by negotiations between Israel, Jordan, Egypt and the Palestinians on a lasting settlement.

King Hussein said in Paris yesterday that Jordan would not take part in talks on Palestinian autonomy in the Israeli-occupied territories, as "evidently proposed by the US."

He believes the only venue for negotiations is an international conference to deal with the Pales-



Mubarak: feels Reagan has gone back on assurances

tinian problem in all its aspects," he said.

Syria, where, according to some reports, Mr Murphy was due late last night, has already criticised his mission, as have Egyptian officials. The state-run Damascus Radio said that the visit would not contribute to Middle East peace efforts or improve Washington's image.

In Cairo, officials have reacted with undisguised irritation, even anger, at what they consider to be the contradictory signals emerging from Washington.

Already upset by the US veto earlier this week of the UN Security Council resolution criticising Israel's treatment of civilians in the West Bank and Gaza Strip, President Hosni Mubarak feels that President Reagan has gone back on the assurances given to him during a recent visit to Washington.

The US veto of the relatively mild draft resolution supported by all other Security Council members, including Britain and France, is seen here as a particularly antagonistic act because it came within days of President Mubarak's visit to Washington.

Moreover, according to Egyptian officials President Reagan had given qualified support to an Egyptian initiative that called for a six-month "cooling-off" period in the West Bank and Gaza, in return for Israeli agreement to participate in an international peace conference.

The latest attempt by the US to revive some elements of the Camp David accords are seen in Cairo as a device to take pressure off Israel at a time when it is facing its most serious challenge in more than 20 years.

Israelis killed, Page 3

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INDONESIA

ACTS TO STAMP OUT RAMPANT CORRUPTION

President Suharto is urging youth leaders to be the "eyes and ears of the authorities." Page 18

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.	High	Low	Stock	Chg.
22 1/2	22 1/4	AAR	+1/4	21 1/2	21 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
18 1/2	18 1/4	AGS	+1/4	17 1/2	17 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
16 1/2	16 1/4	AMC	+1/4	15 1/2	15 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
14 1/2	14 1/4	AMR	+1/4	13 1/2	13 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
12 1/2	12 1/4	AVX	+1/4	11 1/2	11 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
10 1/2	10 1/4	AXA	+1/4	9 1/2	9 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
8 1/2	8 1/4	AXP	+1/4	7 1/2	7 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
6 1/2	6 1/4	AXZ	+1/4	5 1/2	5 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
4 1/2	4 1/4	AXY	+1/4	3 1/2	3 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
2 1/2	2 1/4	AXW	+1/4	1 1/2	1 1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1 1/2	1 1/4	AXV	+1/4	1/2	1/4	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/2	1/4	AXU	+1/4	1/4	1/8	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/4	1/8	AXT	+1/4	1/8	1/16	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/8	1/16	AXS	+1/4	1/16	1/32	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/16	1/32	AXR	+1/4	1/32	1/64	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/32	1/64	AXQ	+1/4	1/64	1/128	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/64	1/128	AXP	+1/4	1/128	1/256	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/128	1/256	AXQ	+1/4	1/256	1/512	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/256	1/512	AXR	+1/4	1/512	1/1024	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/512	1/1024	AXS	+1/4	1/1024	1/2048	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/1024	1/2048	AXT	+1/4	1/2048	1/4096	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/2048	1/4096	AXU	+1/4	1/4096	1/8192	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/4096	1/8192	AXV	+1/4	1/8192	1/16384	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/8192	1/16384	AXW	+1/4	1/16384	1/32768	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/16384	1/32768	AXX	+1/4	1/32768	1/65536	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/32768	1/65536	AXY	+1/4	1/65536	1/131072	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/65536	1/131072	AXZ	+1/4	1/131072	1/262144	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/131072	1/262144	AXA	+1/4	1/262144	1/524288	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/262144	1/524288	AXB	+1/4	1/524288	1/1048576	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/524288	1/1048576	AXC	+1/4	1/1048576	1/2097152	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/1048576	1/2097152	AXD	+1/4	1/2097152	1/4194304	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/2097152	1/4194304	AXE	+1/4	1/4194304	1/8388608	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/4194304	1/8388608	AXF	+1/4	1/8388608	1/16777216	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/8388608	1/16777216	AXG	+1/4	1/16777216	1/33554432	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/16777216	1/33554432	AXH	+1/4	1/33554432	1/67108864	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/33554432	1/67108864	AXI	+1/4	1/67108864	1/134217728	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/67108864	1/134217728	AXJ	+1/4	1/134217728	1/268435456	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/134217728	1/268435456	AXK	+1/4	1/268435456	1/536870912	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/268435456	1/536870912	AXL	+1/4	1/536870912	1/1073741824	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
1/536870912	1/1073741824	AXM	+1/4	1/1073741824	1/2147483648	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
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1/34359738368	1/68719476736	AXS	+1/4	1/68719476736	1/137438953472	Black	+1/4	14 1/2	14 1/4	Flora	+1/4	10 1/2	10 1/4	IPW	+1/4
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OVERSEAS NEWS

Guerrillas kill Israeli soldiers in border clash

BY ANDREW WHITLEY IN THE ISRAELI-OCCUPIED GAZA STRIP

ARAB guerrillas succeeded in penetrating Israel's northern border yesterday for the second time in two weeks. In a clash with an army patrol, two Israeli soldiers and one of the guerrillas were killed.

Gandhi's party narrowly wins control of Tripura

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV Gandhi's Congress (I) Party yesterday narrowly won control from a Communist-led Left Front coalition of the remote north-eastern Indian State of Tripura, where over 70 people were killed in terrorist attacks earlier this week.

Malaysian tycoon jailed over 'Pan-Electric crisis'

BY WONG SULONG IN KUALA LUMPUR

TAN Koon Swan, former president of the Malaysian Chinese Association, the country's largest Chinese political party, and a prominent businessman, was jailed for 30 months yesterday for criminal breach of trust involving Ringgit 23m (£5m). He was also fined Ringgit 1m.

Disclosure could delay Iran embargo

By Richard Johns

SECRET consultations concerning a UN Security Council agreement on an arms embargo against Iran could be badly set back by disclosure of the text of a British proposal on sanctions, according to Western diplomats.

They said yesterday that the UK paper, which is supported by the US and France, foresees sanctions remaining in force for two years, after which they would be reviewed.

Implicitly, its provisions would apply to both of the belligerents in the Gulf conflict in the hope that Iraq might be persuaded to cease attacks against Iranian oil traffic. Only Iran, however, is mentioned in the text and what amounts to the draft of a resolution is clearly directed at bringing about its compliance with UN Resolution 598 of last July calling for a ceasefire in the war.

The attitude of the Soviet Union and China, the other permanent members of the UN Security Council, to the resolution, has remained ambivalent. Both have shown reluctance to antagonise Tehran which, for its part, has shown every sign of trying to play off the two superpowers against each other.

Western diplomats fear that premature publication of the proposal will make the Soviet Union feel "boxed-in" and hamper the prospects for secret diplomacy. Despite conflicting signals, however, the Soviet Union appears to have dropped its demand for establishment of a UN naval force in the Gulf as a condition for supporting an embargo against Iran.

Dollar under pressure in Hong Kong

THE US dollar came under temporary pressure in Hong Kong yesterday following reports from Washington that Mr James Baker, US Treasury Secretary, had asked Britain to exert pressure on the colony's administration to revalue the Hong Kong dollar.

The US dollar slipped briefly under HK\$7.50, the level to which it has been pegged since October 1983, but there was no wave of speculative selling. However, the market for forward US dollars dropped more sharply, and one Hong Kong broker said the Washington reports also contributed to the poor performance of the Hong Kong stock market yesterday.

The Hong Kong Government denied the US reports vehemently. But the US Administration has become increasingly strident in its demands for faster appreciation of the currencies of Asia's four Newly Industrialised Countries - South Korea, Hong Kong, Taiwan and Singapore - as a way of reducing their bilateral trade surpluses with the US.

Hong Kong officials insisted that no message of any kind had been received from either the British Treasury or the Prime Minister's Office calling on them to review the existing exchange rate system. In London, the Government's official position is that it shares the concern of other members of the Group of Seven that Asia's newly-industrialised nations should be doing more to contribute to the removal of trade imbalances.

Japan to test super-smart 'bank in your pocket'

BY CHRIS SHERWELL IN SYDNEY

DO YOU like counting your money? Would you like to have it all safely in your pocket? Then Visa, the bank card people, may have just the thing for you - or they will have after testing it in that toughest but wealthiest of consumer markets, Japan.

The company, which runs a payments system through an association of 17,000 banks worldwide, announced the test of its Super-Smart Card in Sydney yesterday after a meeting of directors.

First revealed four months ago, the card is billed as the start of a new era in personal electronic funds transfer. It is the same size as a credit card (if a trifle thicker), and it functions literally like a bank in your pocket.

Thai aircraft shot down in border fighting with Laos

A THAI F-5E fighter-bomber was yesterday shot down during fighting over the disputed border with Laos, Reuters reports from Bangkok.

It was the first loss confirmed by the Thai air force since the US-built F-5Es were first deployed on bombing raids on the frontier fighting in early December.

Thai and Laotian forces have been fighting over three disputed hills on the forested, remote frontier since last August and Thai military officials said its attacks had intensified in recent days.

Military spokesmen said Thai air strikes, which have been sporadic, resumed in earnest on Monday, particularly around hill 1,425 which is said by Thailand to be 2km inside the frontier.

Laos claimed on Tuesday to have shot down one of the F-5Es, the most advanced aircraft used by the Thai air force, but this was denied by Bangkok.

while this can do far more, it requires a device to read the chip. It also has a limited life.

Hence the latest advance: a fully self-contained card with a stripe and a chip, an internal battery and a small calculator-like keyboard - but with no external reading device required: it has a liquid crystal display.

Holders of the Super-Smart Card can use it to carry with them up-to-date records of their cheque and savings accounts, their Visa account, their business account, even the status of investments arranged through the card-issuing bank.

"As the card is used to make a purchase or transfer funds, the account involved is automatically debited or credited, and the specifics of the transaction itself are stored for convenient access at a later date," says Mr Carl Pasarella, Visa's chief general manager for the Asia-Pacific region.

To work the card, you simply key in your number and the details of your transaction, using the buttons on the back. Hit the Visa button and you can make a purchase on your Visa account, check past purchases and whether you've broken your limit. Even better: find the right sort of telephone, and you can call your airline and pay for your ticket there and then.

One big advantage is that the card can work off-line as a self-contained unit, authorising and processing transactions without the need for computer or telecommunications support.

You can also use it to replenish your overdraft (your bank manager permitting), and as a phone book. Later it might be able to hold personal information, like your blood group.

The new card will first begin a six-month laboratory test in Japan in April. Then 2,000 cards will be issued for use in an area of Tokyo where a full support system of terminals and communications systems will be installed.

For Visa, the development represents an advance in its long-standing rivalry with MasterCard. Visa has 155m cardholders around the world and accounts for 45 per cent of total volume in the payments card business. Like most businesses, it wants to increase its market share.

Australian car designers pin hopes on new model

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN motor manufacturing design and production faces a crucial test from today when Ford Australia, commercially the country's most successful vehicle company this decade, launches a new range of its most profitable car, the Falcon.

Known as the EA26, the new Falcon has been five years in gestation and has cost some A\$700m (US\$600m) in investment. Billed as the only truly home-grown car in Australia, it is being manufactured under a reformed system of production for management, employees and component suppliers.

The launch comes against a troubled background of rationalisation in the highly protected Australian car industry, which has five manufacturers producing 13 different models for a small market. With sales in 1987 at a 20-year low, profitability was abysmal.

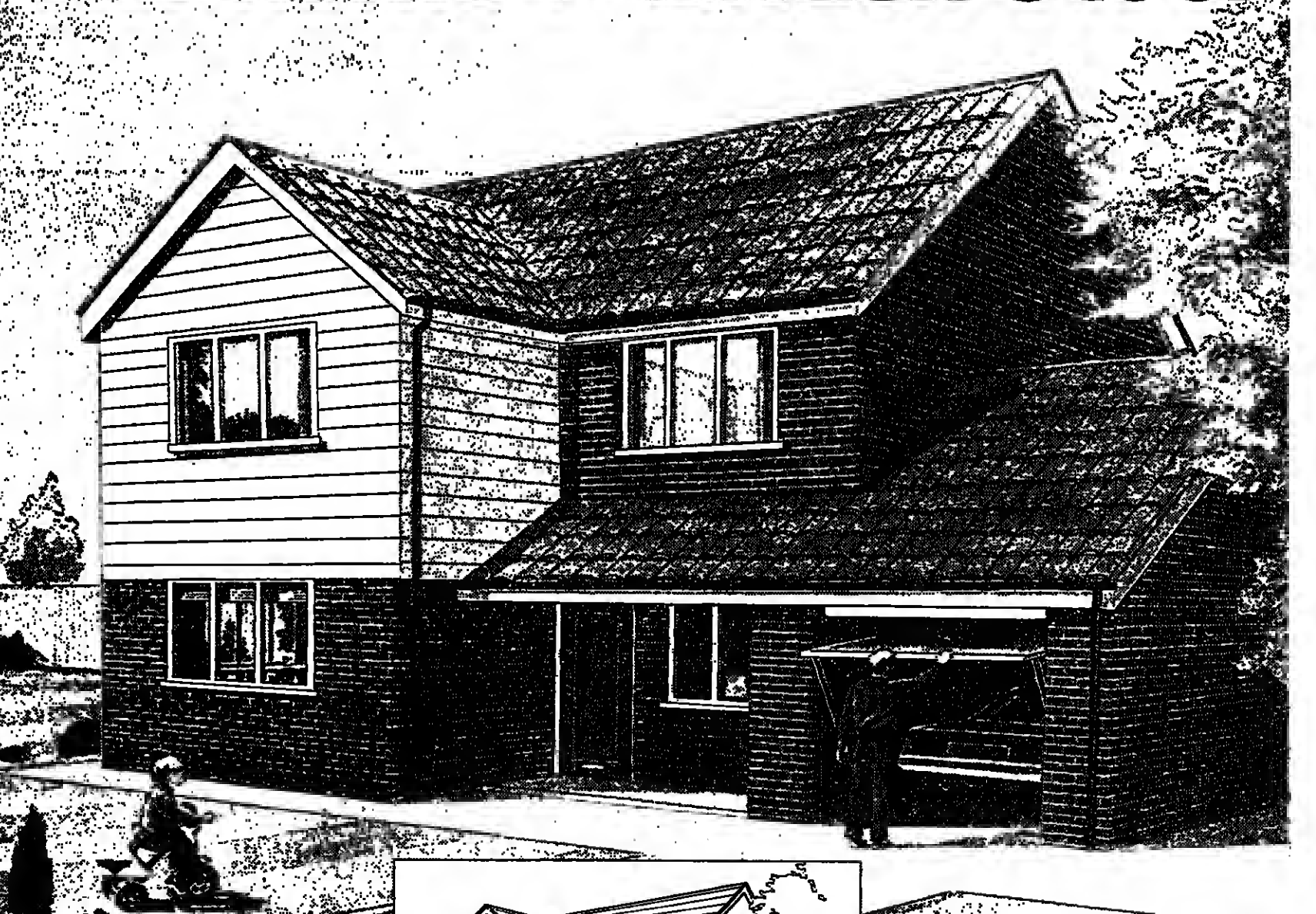
According to Ford Australia's promotion, "the sleek, aerodynamic Falcons, with their beautiful 'European-look' styling, their powerful new engines and sophisticated engineering" would carry the group into the 1990s and be crucial to its success.

The group's hopes are also pinned on the launch later this year of a new small sports car, based on the Mazda-designed Ford Laser. This is being aimed at export markets, particularly the US.

The EA25 is a replacement for the previous XF series of vehicles which first came on to the market in 1979.

Much is being made of the fact that the new Falcon is Australian-designed. Holden's new Commodore, due out later this year, will be based on a GM Opel, Toyota, Nissan and Mitsubishi models are all based on Japanese-designed cars. If it does not succeed, therefore, the EA26 is likely to be the last car of its type in Australia.

The home of British Steel



Advertisement for BSC Strip Mill Products. Text includes: 'At BSC Strip Mill Products, we help make dream homes come true. With a range of advanced steels and steel composites that allow builders to take full advantage of new technologies. And build better homes more cost-efficiently. Take a look round the home of British Steel. 1. The frame of the future is in Galvalite corrosion-resistant zinc-coated steel. New technology in framing has been developed by companies like Precision Metal Framing, whose Agreement approved system gives all the advantages of framing plus special benefits of its own. 2. Galvanised steel lintels give the builder the strength he needs. The span he needs. And the lightness he loves. They are quicker and easier to build in than cumbersome concrete. 3. Exterior cladding, flashings and accessories in Colorcoat (Britain's most widely-used steel cladding material) look good. And go on looking good for years. 4. Garage doors and front doors last better in Colorcoat or Galvalite. 5. Cold reduced steels, with their excellent mechanical properties and ductility, prove themselves in every home in domestic radiators, structural components etc. Not to mention the family car. 6. And of course wherever you look BSC Strip Mill Products are involved in all the essential luxuries in the home like fridges and frying pans and furniture. All in steel. All helping towards the house beautiful. BSC Strip Mill Products. Very much at home in Britain today. And tomorrow. Producing and developing advanced steels that cost-effectively outperform alternative materials. And backing them with unmatched technical support and fair-dealing customer service. HOT ROLLED · COLD REDUCED · GALVALITE ZALUTITE · ZINTEC · TENFORM · TENBOR VESTEEL · TERNE · COLORCOAT · STELVETITE BSC Strip Mill Products, PO Box 10, Newport, Gwent NP9 0XN. Tel. 0633 290022. Telex: 497601.

Advertisement for The Regent Hong Kong. Text includes: 'FREE PORT. Wherever you dine at The Regent Hong Kong, you'll enjoy the finest food and, if you wish, excellent wines. And the added delight of a view of Hong Kong's spectacular harbour. Absolutely free. the Regent HONG KONG A REGENT INTERNATIONAL HOTEL. 0800-282245. AUCKLAND, BANGKOK, BIRMINGHAM, CHICAGO, DUBLIN, HONG KONG, KUALA LUMPUR, MELBOURNE, NEW YORK, OKLAHOMA, ST. LOUIS, SYDNEY, TORONTO, WASHINGTON, D.C., ZURICH.

US PRESIDENTIAL ELECTION

Iowa launches America's search for a new champion

EVERY DECEMBER since 1980, the "Bush brigade" - the core of campaign workers who helped construct Mr George Bush's narrow victory over Mr Ronald Reagan in the Iowa caucuses...

BY STEWART FLEMING, US EDITOR IN WASHINGTON
Within four weeks, by March 8, when delegate selection processes for 20 states will take place, half the delegates to the Republican nominating convention in August and more than a third of the delegates to the Democratic convention in July will have been chosen.

dent Reagan was riding the crest of his popularity, many of his countrymen were ready to believe it when he told them America was "back" after almost two decades during which it had limped from one crisis to another.

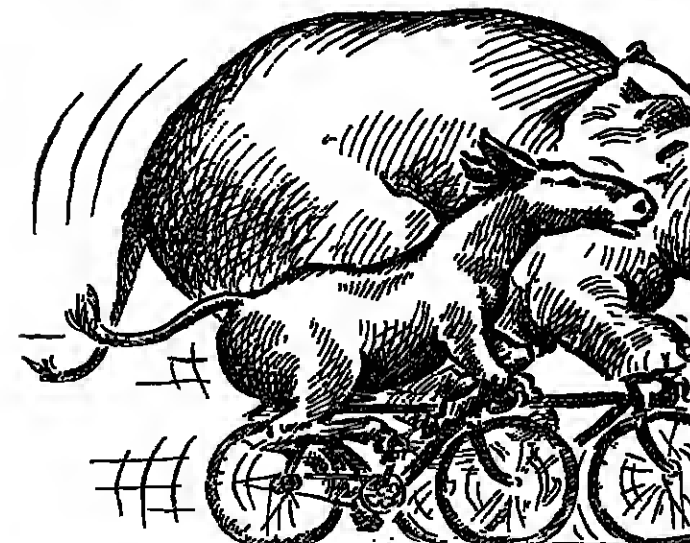
- Republican Candidates: GEORGE BUSH: Vice President, aged 63; ROBERT DOLE: Senate Minority Leader, Kansas Senator, 64; PIERRE DU PONT IV: former Governor of Delaware, 53; JACK KEMP: Representative New York 31st District, 52; ALEXANDER HAIG: former US Secretary of State, US Army General and Nato Commander, 64; PAT ROBERTSON: former television evangelist, 57.

- Democratic Candidates: BRUCE BABBITT: former Governor of Arizona, 48; MICHAEL DUKAKIS: Governor of Massachusetts, 54; GARY HART: former US Senator for Colorado and 1984 presidential candidate, 53; RICHARD GEPHARDT: Representative Missouri 3rd District, 46; ALBERT GORE Jr: Senator for Tennessee, 39; REV JESSE JACKSON: black civil rights leader and 1984 presidential candidate, 46; PAUL SIMON: Illinois Senator, 59.

tors are forcing Washington to recognise that it must build more subtle relationships with its allies. Just how painful an adjustment this is going to be for the world's pre-eminent superpower is evident from the rhetoric of the 13 candidates on the campaign trail hitherto.

rather that they are either Washington insiders or experienced governors of states who have learnt how to deal with the legislative branch of Government and would find ways to ensure that the President and the Congress work together.

The next president may indeed need to adopt a more pragmatic style of leadership in a nation where many are sensitive to the fact that all is not going well for their country and are suspicious of the diet of political hype which it has been fed by Reagan.



NOMINATIONS SWEEPSTAKE
February 8 Iowa, February 16 New Hampshire
March 8 Florida, Georgia, Kentucky, North Carolina, Tennessee, Texas, Virginia, Washington
March 15 Illinois, April 19 New York
April 26 Pennsylvania, May 3 Ohio
June 7 California, New Jersey

At the centre of these political crosscurrents is the presidency itself. Mr Reagan may still escape the fate of his four predecessors and leave office neither despised nor ridiculed by a majority of American voters.

So far none of the candidates has found a way to offer a vision of where the country should be going in words which inspire confidence that he knows how to get there.

PIG-O cash helps war-chests swell

IN CAMPAIGN lingo, it is known as PIG-O and it makes for mandatory reading for presidential campaign staff. PIG-O stands for the Guide-line for Presentation in Good Order, more familiarly known as the Federal Election Commission (FEC) rule-book.

versity of Virginia, candidates are spending their money on ever more sophisticated methods of winning votes. In 1984, direct mail was all the rage. In 1985, presidential aspirants were looking for ways to bypass the reporting media and send their message direct to voters.

GOOD ORGANISATION IS EVERYTHING IN THE RACE FOR NOMINATION

Smooth machines keep candidates running

THREE SLEEK executive jets swooped down the runway at Des Moines airport in Iowa and soared skywards in swift succession. Governor Michael Dukakis, the Massachusetts Democrat, is off on another heavy day of campaigning, which would end on his late night return to Boston, 1,280 miles away.

example of the complication of the process. On Monday night, voters will congregate in more than 2,487 precincts in 89 counties and spend two or three hours debating the merits of the candidates. Perhaps as few as 100,000 voters in each party will attend an event which tends to be dominated by activists.

Presidential campaign is a small business - but a complicated one
be chosen, since the caucuses are only the first of four stages leading to the selection of delegates. Ensuring that supporters of your candidate get to a caucus, that they are as well prepared as possible and that the most articulate and persuasive of them speak out on his behalf are some of the factors that will make for "victory".

abrupt change of pace. On March 8, for the first time, 20 states hold caucuses or primaries on the same day, in effect plunging the survivors into a near-national election campaign. The so-called Super Tuesday elections, involving millions of voters, are totally different from the single state two-year endurance tests which will have taken place in Iowa and New Hampshire.

Opinion polls rule campaigns
ON THE campaign bus in Iowa, the one topic guaranteed to set reporters reaching for their portable computers is the state of the polls. Opinion polls make news. At their crudest, they reveal who is hot and who has gone cold in a crowded field; at their best, they may illuminate the issues preoccupying the electorate.

This fluidity is compounded by the fact that a Democrat candidate must receive at least 15 per cent of the vote within the caucus to qualify for a percentage of the vote - otherwise his supporters can cross to another candidate.

High-tech innovations take campaigns into another dimension

LAST JULY 85 Iowa voters were asked to vote on television one of the many debates between presidential candidates. This one was taking place hundreds of miles away in Houston, Texas, writes Stewart Fleming.

logical marvel is not simply measuring the reaction of voters to the substance of what the candidate is saying. It is a combination of emotional and intellectual response. I can learn where the strength of the viewers' reaction has diminished, for example whether it was the question he was asked, his volubility, the voice inflection...

standing of the average voter. One candidate, Joe Biden, has already been driven out of the race by the impact of the visual high-tech innovations. A so-called "satellite" video recording distributed by the rival campaign of Governor Michael Dukakis showed the Delaware Senator plagiarising Mr Neil Kinnock, the British Labour Party leader.

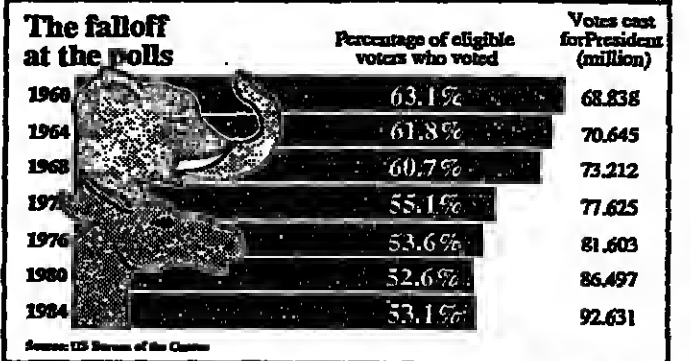
can also target his message at particular areas. If the local station takes it live, he also escapes the journalistic filtering process. Political consultants know that the credibility of other networks, becoming news in itself, was in the opinion of the Vice President's supporters, a "defining moment".

Choosing Mr Rather was no accident either. For he is a man Republican voters love to loath. Facing the anchor-man down in a heated confrontation that was picked up by all the other networks, becoming news in itself, was in the opinion of the Vice President's supporters, a "defining moment".

more importantly, it seems that many Americans have come to believe that their votes simply won't make a difference.

searching for reasons for the apathy among American voters. To some extent, the difficulty of registration is a factor, but

more importantly, it seems that many Americans have come to believe that their votes simply won't make a difference.



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Carlucci reassures on Europe

By John Wyles in Rome

MR Frank Carlucci, the US Defence Secretary, yesterday sought to allay European anxieties about the strength of America's commitment to defending its allies on the continent. The Reagan Administration "does not want to withdraw one soldier, nor one weapon," he said.

He was speaking after taking soundings with Mr Valerio Zanone, the Italian Defence Minister, on Italy's readiness to accommodate the 72 F-16 fighter bombers which under a recent agreement between the US and Spain have to be withdrawn from the Torrejon base near Madrid within three years.

While stressing that the question must ultimately be resolved in Nato and that Rome was not being formally requested to accept the redeployed force, Mr Zanone confirmed that Italy was ready to give serious consideration to the matter.

Both the US and Italy regard the bomber force as vital for the defence of Nato's southern flank and Mr Carlucci stressed that Washington had no desire to withdraw the aircraft back to the US. "The US has no desire to weaken its power in Europe," he said at a press conference afterwards.

He confirmed that the US was asking Nato to meet the costs of redeploying the aircraft, but he offered no estimate as to what they might be.

Texas acts to wind up thrift institutions

THE PLAN by the Federal Home Loan Bank to restructure the crippled Texas thrift industry, announced on Tuesday, will wind up one third of all the thrift institutions in the state.

It will also, at a cost of more than \$7bn, bring an end to a grim story of imprudence and sometimes of outright fraud and corruption.

While the thrift industry throughout the US was plunged into severe problems by the enormous rise of interest rates in the 1980s, which left them paying far more to depositors than they were collecting in interest on their loans, the problem in Texas was greatly intensified by a property boom and bust. This was fed by exaggerated hopes of the oil industry and of economic development in the sunbelt. But the boom was actively fed by the thrifths themselves in an effort to find new business to recoup their past losses.

As a result, the Texas problem represents about half the total national problem, according to Mr Danny Wall, Chairman of the Home Loans Bank board. 104 of the State's 281 thrifths are deemed insolvent, with assets inadequate to cover their deposits, and a further 39 are "problem thrifths" on the edge of insolvency. The planned consolidation would reduce the total number of thrifths by more than 100.

The aim is to put problem assets into the hands of sound management, which will require heavy financial contributions from the Home Loans Bank to cover existing balance sheet deficiencies, and to help with the continuing running losses of the problem thrifths.

A large part of the problem, the subject of a savage analysis in the current issue of Texas Business, a statewide monthly, consists of empty property which has been foreclosed. This is also a major problem for the State's banks, which are undergoing their own process of consolidation, often with out-of-State bank holding companies.

Detailed figures produced by Sheshunoff and Co, a firm of independent credit analysts, shows that in the 16 thrift worst affected, more than a

Anthony Harris in Washington examines the \$7bn decline and fall of part of the US domestic savings infrastructure. A tale of imprudence and even fraud is ending with the closure of one third of thrift institutions.

quarter of their \$3.7bn assets consist of repossessed property. These properties are shown in the books at acquisition cost, and unless liquidation can be fended off through the reconstruction of the industry, there would further heavy losses on disposal.

The problem thrifths are a burden on the healthy part of the industry in a number of ways. Depositors are frightened off by the well-known scale of the problem the deposits are federally insured up to \$100,000, but the Federal Savings and Loan Insurance Corporation (FSLIC) has at the moment quite inadequate resources to honour this guarantee.

While there have been some ringing political statements in support of the guarantees, there have been no budget provisions, and Texas thrifths have to pay a full percentage point above the national rate to hold their deposits. In addition, the FSLIC is under strong pressure to raise its deposit insurance premiums, which impose equal costs on sound and problem thrifths. As a result of these pressures, operating margins are painfully thin even in the soundest of them.

The result, as local growth recession, but is still in the grip of financial crisis. The rescue plan is warmly welcomed yesterday by Mr Geoffrey Leavensworth, the author of the Texas Business denunciation. "Now perhaps we can face some facts, and get some sound management," he said.

US nears indictment of Noriega

FEDERAL prosecutors yesterday put the final touches on an indictment against Panamanian ruler General Manuel Antonio Noriega on drug smuggling and racketeering charges, law enforcement sources said, Reuters reports from Miami.

Gen Noriega and more than a dozen others were expected to be indicted by a grand jury in Miami yesterday, they said, but prosecutors do not plan to announce the indictment until today.

The indictment will accuse Gen Noriega of using his power to turn Panama into a haven for Colombian drug traffickers and will include allegations of involvement by Cuban President Fidel Castro, the sources said.

One high-ranking official said prosecutors in Tampa were rushing to conclude a separate grand jury probe of Gen Noriega's alleged drug links and may issue an indictment in tandem with Miami investigators.

Along with Gen Noriega, the Miami indictment will name up to 14 other defendants, including Panamanian officials and alleged Colombian smugglers.

Officials said it was doubtful Gen Noriega and other Panamanians would be brought to Miami to stand trial.

CBO estimates '\$30bn spending cuts'

BY ANTHONY HARRIS IN WASHINGTON

THE Congressional Budget Office estimates that more than \$30bn of additional spending cuts or revenues will be required to keep the federal deficit in 1988/9 within its statutory limits under the Gramm-Rudman legislation.

In its first official budget forecast this year it estimates the "baseline" deficit at \$175bn, compared with the Gramm-Rudman ceiling of \$136bn. This projection is based on forecast real US growth of 1.3 per cent in 1988,

recovering to 2.6 per cent in 1989.

It also projects an even bigger gap in 1989/90, with a projected deficit of \$167bn, compared with a Gramm-Rudman ceiling of \$100bn. If these projections are confirmed when the CBO produces its summer forecasts, then the deficit-reduction package agreed in December will prove wholly inadequate.

Under the Gramm-Rudman procedures, spending is cut through automatic sequestrations, which tend to bear

heavily on defence, unless the deficit projected by the CBO and the Administration falls within the legislated ceiling. The key figure is a compromise expected to cause higher inflation by the final quarter of 1988.

The new CBO projections are higher than most analysts expected then. The main reasons seem to be the lower growth projection, reflecting the current consensus that there will be an inventory turn-down in the first half of 1988. The CBO also observes that

while the stock market crash last October led to an immediate relaxation in monetary policy, this caused a further devaluation of the dollar, which is expected to cause higher inflation by the final quarter of 1988.

It expects that inflation, running at just under 5 per cent through the second half of 1988 and the whole of 1989, will raise the cost of federal borrowing to 6.7 per cent in the bill market, a rise of 0.5 per cent from recent level.

W Germany forecasts decline in surplus

WEST GERMAN Finance Minister Gerhard Stoltenberg yesterday predicted a sharp decline in his country's trade surplus, AP reports from Washington.

A fall in the West German surplus - often criticised by the US - would mean an increase in imports from the US and a drop in the record US trade deficit. That deficit, and the federal budget deficit that has gone with it, are among the major worries of President Ronald Reagan's Administration.

Mr Stoltenberg had a long talk and lunch with Treasury Secretary James A. Baker III, and met with Mr Alan Greenspan, head of the US Federal Reserve System. He said he would speak yesterday with Mr Howard Baker, Mr Reagan's chief of staff.

He said that West Germany's trade surplus has declined in real terms, but that it was not

reflected in dollar values because of the high value of the mark against the dollar.

A decline in the surplus implies a rise in West German imports, including the increased imports from the US that the Reagan Administration would like to see.

"I told Baker we want to make a contribution to this," said Mr Stoltenberg. "The West German Government and the coalition parties (which make up the government) are agreed that liberalisation of our communications market will begin in the first half of 1988 and it is the will of the coalition that it should come to a relatively rapid completion."

The West German Government's Post Office has tight control of telegraphs and telephones as well as mail services. It buys hundreds of millions of dollars worth of equipment a

year, some of which US manufacturers would like to supply. US manufacturers also want to sell more software for computer communications in West Germany.

Mr Stoltenberg said he hoped that the opening of West German markets will figure in congressional discussion of trade, and counter tendencies toward protectionism - measures to favour US industry by keeping out imports.

"I start with the assumption that the US Administration will hold to and strengthen its position against protectionist legislation," he said. "I greetly welcome that."

He stressed the importance of stable exchange rates, welcoming the recent statement by Mr Reagan and Japanese Prime Minister Noboru Takeshita that a further decline of the dollar would be counter-productive. A

further decline of the dollar would hurt West German exports.

Mr Stoltenberg said US exports are increasing in real terms at about 16 per cent a year. Mr Reagan's Administration has reported the development of US trade in much the same terms as Mr Stoltenberg used about the West German surplus: that the US deficit is declining in real terms and that this decline is not yet reflected in terms of dollar values, but will be.

Mr Stoltenberg also had appointments with Mr Michel Camdessus, managing director of the International Monetary Fund, Mr Barber B. Conable, President of the World Bank and Senator Bill Bradley of New Jersey - all of whom are deeply involved with problems of Third World debt.

Managua hails rejection of fresh funds for rebels

THE Sandinista newspaper Barriada yesterday hailed congressional rejection of new US aid for the Contra rebels, but warned that President Ronald Reagan would study "new forms of aggression," AP reports from Managua.

State-run Radio La Primerísima broadcast a call to the Contras early yesterday to lay down their arms.

"It is useless. It is time to save your life," the broadcast said. The only government reaction to the vote by the House of Representatives rejecting \$36.2m in new rebel aid came from Mr Carlos Tunnerman, Nicaragua's ambassador in Washington.

The ambassador was interviewed by state-run radio and Nicaraguan newspapers on Wednesday night, shortly after the House vote.

"This is a congressional blow to the American policies in Central America," Mr Tunnerman was quoted as saying in Barriada.

The newspaper noted that retired US General John Singlaub, president of the anti-communist World Council for Freedom, promised to "relinquish efforts to collect private funds for humanitarian aid and would sell defence bonds."

The pro-government newspaper El Nuevo Diario ran a head-

line saying: "Peace Gains Points."

But Contra leader Mr Alfonso Robelo predicted the House vote would weaken the rebels' negotiating position at next week's ceasefire talks. "The ceasefire is supposed to be a means to set the conditions so there will be democracy in Nicaragua," he said in a telephone interview with AP from his home in San Jose, Costa Rica.

"Obviously, now that the Sandinistas know of our weakness, they will be ready to settle only for a total defeat, for a surrender of our troops," said Mr Robelo, one of six directors of the Nicaraguan Resistance.

Mr Tunnerman, speaking earlier by telephone from Washington with the government's Radio Sandino, said that the House vote could help bring peace to the war-torn region.

"We hope that based on this vote we can move ahead with the Central American peace plan, end the war and fulfill in all good faith what the peace plan includes," Mr Tunnerman said.

The plan - signed last summer by the presidents of Nicaragua, El Salvador, Guatemala, Costa Rica and Honduras - calls for ceasefires, greater democracy and the end to outside aid for insurgencies in the region.

UK compromises on Mexican loan swap

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE BANK of England has adopted a compromise position which should at least not deter British banks from participating in Mexico's bond-for-loan offer which reaches a key point today.

Mexico's creditor banks have been asked to provide by today a waiver of existing loan clauses. If banks holding more than 50 per cent of each public sector loan do so, the country will be able to proceed with an auction on February 18. It is offering up to \$10bn of bonds in exchange for existing loans, to be tendered at a discount to face value.

Banks are expected to provide the waiver. Not to do so would be seen as a snub to attempts to find new ways of chipping away at debt servicing burdens.

Provision of the waiver will carry no obligation to participate in the auction. The amount and pricing of debt likely to be tendered remains very uncertain, with most UK banks likely to put in only token bids, if any.


British bankers were told yesterday by the Bank of England that the new bonds will be

treated as Mexican risk as to both principal and interest even though principal repayment on the 20-year securities will be collateralised by a special issue of non-marketable US government securities to Mexico.

Despite this, banks holding the bonds as long-term investments will not be expected in the immediate future to make new loan provisions if they hold the bonds. Banks receiving the bonds would have to take a loss larger than their existing provisions - which are probably about 18 per cent for Mexico. The Bank is understood to feel that it would be unfair to make them take a further hit on the new holdings.

The Bank's decision contrasts with that of the US authorities which regard the Mexican bonds as US risk. However, the Bank has adopted a more accommodative position than the US on the valuation of loans not exchanged.

Influencing the Bank's decision on the new bonds was the expectation that they are expected to fall to a discount to face value in the market because interest payments remain Mexican risk.



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WORLD TRADE NEWS

Exporters back Hyundai in EC freight cost row

THE EUROPEAN Commission is coming under strong pressure from exporters to reject an anti-dumping complaint by Community shipowners against Hyundai Merchant Marine of South Korea.

The Commission is investigating claims by eight EC shipping lines that Hyundai is unfairly undercutting established freight rates between Europe and Australia.

The investigation is the first test of the EC's willingness to extend its anti-dumping powers to shipping, and could set the tone for future action against subsidised Eastern bloc shipping.

If the Commission decides the complaint is justified, it has powers to set a European norm for the route, and impose penalties to bring Hyundai's charges into line.

However, exporters' organisations in several European countries have told the Commission that action against Hyundai would be both unjust and against the wider interests of the Community.

Support for Hyundai is being led by the shippers' (exporters) councils in West Germany and the UK, with backing from Denmark, the Netherlands and Belgium.

Kevin Brown on calls to reject a complaint by shipping lines of undercutting by the South Koreans

In unpublished evidence to the Commission, the shippers say the Hyundai service has boosted Community exports by making some low-value goods competitive in the Australian market.

The British Shippers' Council says Hyundai "has allowed Community industries to penetrate markets which have been denied to them in the past because of the level of freight rates."

"Any penalties imposed on Hyundai would have serious widespread effects on such industries."

This view is echoed by DSVK, the German Shippers' Council, which says action against Hyundai would distort competition to the disadvantage of European industry, and "clearly harm the competitiveness of German goods in the Australian market."

The shippers claim the ship-

owners' complaint is principally an attempt to maintain the price domination of the Continent-Australia Conference.

This is a group of eight EC companies, together with Soviet, Australian and Scandinavian lines, which carries around 80 per cent of Europe-Australia seaborne trade.

"In such a market situation, any restriction on the independent pricing policy of a non-conference line amounts to safeguarding the price leadership of the cartel," the DSVK evidence says.

DSVK also claims the shippers' complaint is misleading because it compares Hyundai with the best service offered by the conference lines, rather than with the existing cheap services operated by outsiders such as Jebens and Gearbulk.

"While it is in line with the traditional conference philosophy to bring different service standards under the same price umbrella, such anti-market criteria cannot claim validity outside the cartel," it says.

The shippers say Hyundai's low rates are a reflection of its slower service, which calls at several Pacific islands not vis-



European lines had ships built in low-cost Korean yards

ited by conference lines, together with introductory discounts which are being phased out.

They say overall freight levels to Australia have fallen because of a decline in volume rather than because conference lines have been forced to respond to Hyundai's rates.

"It probably takes a cartel mind to pick a particular supplier as culprit and to hold him accountable for price trends that are perfectly in line with the market," DSVK says.

The shippers reject suggestions that Hyundai has benefited from Korean cargo preferences, but say they cannot judge whether it has received government subsidies, as the shipowners claim.

They point out, however, that several European shipping lines have had ships built in low-cost Korean shipyards.

The British Shippers' Council also asks the Commission to remember that one of the conference lines which would benefit from action against Hyundai is the Soviet-owned Baltic Shipping Company, which "might occasionally benefit from advantages which may be regarded as not wholly commercial."

The Council adds: "In such troubled waters, it might appear somewhat peculiar to the outside world if the Commission were to be seen to be assisting the participation of one state-subsidised non-EC shipping line in a cartelised trade by penalising another non-EC shipping line - Hyundai - which is independent."

NEW ISSUES February 3, 1988



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Honda likely to beat Rover in car launch

BY JOHN GRIFITHS

HONDA said yesterday it is to launch at the end of this summer its version of a medium-sized car being developed jointly with the UK's Rover Group. This would be about 1000cc, and Rover's equivalent model, code-named ES, is due to be launched in Britain.

Honda said its model, previously code-named Y7, would be called the Concerto, and launched in Japan with a 1.5 litre engine.

A statement made in Tokyo said Honda would increase capacity at its Suzuka plant to 2,500 a day, from 2,400, and that a part of production of its Civic model would also be shifted from Suzuka to the US to make room for Concerto output. It gave no details of planned production levels for the Concerto.

Honda's announcement appeared to take its UK collaborator by surprise. Austin Rover said it was unclear whether Honda intended actually to put the car on sale after the summer, or whether it would merely announce the car with sales not beginning until some months later.

This was the case with the first Honda-Rover collaborative venture, the Honda Legend/Rover 800 executive car. Honda announced the Legend in October 1985, but the first buyers were unable to take delivery in Japan until the start of 1986.

As happened with the Legend/800, Honda is to build both the Concerto and the ES in

Japan, and Austin Rover will build the ES and Concerto in the UK. Its Longbridge plant is expected to produce up to 40,000 Concertos a year for Honda to sell in the UK and on other continents.

Honda was able to beat Rover Group into the US market by almost a year with its Legend executive car. However, Austin Rover does not appear particularly concerned by the apparently time advantage Honda has also with the Concerto. The Rover group car will consist of a full range at its launch, with a family of engines including the all-new K-series.

The head of Peugeot of France says Japan should be forced to cut its exports to the European Community, agencies report.

Mr Jacques Calvet told a West German newspaper that Japan had exported 1.4m cars to the EC in 1987 but imported only 30,000. He said quotas should be imposed until Japan imported from the EC at least half as much it exported, in value and volume terms.

His remarks were published as the Japanese Automobile Importers' Association announced that foreign vehicle sales in Japan reached a record level in January - sales of cars, trucks and bus imports totalled 5,957, an increase of 42.9 per cent on the year-earlier level.

Last year imports were a record 97,974 vehicles, a rise of 43 per cent.

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Bangladesh agrees joint ventures with Italians

BY OUR CORRESPONDENT IN DHAKA

ITALIAN companies have agreed a series of joint ventures in Bangladesh following the visit last month of an Italian economic and trade delegation. Bangladesh sees the deals as a way of overcoming shortfalls in technical know-how.

The companies will focus on LPG gas cylinder production, fish processing, a leather and shoe complex, a feed meal plant, the manufacture of jute products, knitwear and textiles, and garments. Italy has also expressed interest in setting up plants to make farm machinery and tools.

Italian partners, which

include Gian Compagnia, OCID Milan, Cizzano Sn Milan, La Navetta Erato and the Casaccio and Luppi group will provide know-how, machinery, training, production assistance and technical management for three to five years. They will also be involved in marketing.

Trade between the two countries increased from \$40m in 1981 to \$107m last year. A trading company with public and private capital from both countries has been established in Milan to promote trade between Bangladesh and Italy and the rest of Europe.

Airbus joint project still alive

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

THE possibility of collaboration between the European Airbus Industrie consortium and McDonnell Douglas of the US on a long-range airliner project appears still to be alive.

Mr Sanford McDonnell, president of the US company, said in Chicago yesterday that talks with Airbus in recent months had included the question of a joint venture that would amalgamate a stretched fuselage version of the McDonnell Douglas MD-11 tri-jet with the advanced technology wing of the Airbus A-340 four-engined long-range airliner.

The aim would be to produce a very-long range airliner capable of carrying over 400 passengers, to compete with the Boeing 747 Jumbo jet in its advanced versions, such as the 747-400, recently rolled out.

"We have potentially a very viable product against the 747 with the stretched MD-11 and the Airbus wing," said Mr McDonnell. "It's extremely com-

petitive. It's a definite possibility."

The Airbus response was cooler. It admitted that the two groups had been talking for some time and exploring a range of possible options for collaboration, but with no single project emerging as a leader.

The talks had been purely exploratory, and there was still a long way to go before there could be any collaboration on a specific venture.

This reaffirmed comments by Mr Jean Pierson, president of Airbus, in London recently. He said the European group was determined to press ahead with its A-330 twin-engine medium-range airliner and the A-340, using a common wing (built by British Aerospace), and there were no immediate plans to change that situation.

He pointed out that Airbus had been talking with both McDonnell Douglas and Lockheed of the US.

But he stressed that collaboration would have to fulfil three criteria - it would have to be profitable for both sides, equally balanced with neither side having an advantage over the other in development and production, and it would have to avoid competing with the existing Airbus product range.

This would appear to eliminate any possibility of Airbus giving up its A-340 long-range airliner project in favour of an immediate joint venture with the MD-11.

Airbus claims firm orders for 68 A-340s from eight airlines, with options on another 35 aircraft, a total of 103 aircraft. McDonnell Douglas has 29 firm orders for the MD-11 with 47 conditional orders and options, making a total of 76, with another 21 "reserve" positions being held for interested customers.

India considers Soviet jets

BY JOHN ELLIOTT IN NEW DELHI

INDIA is considering buying or leasing more Soviet aircraft after a deal involving a 140-seat Soviet Ilyushin IL-62M airliner. The proposals are being looked at within the bilateral trade arrangements which would save India scarce foreign exchange.

The IL-62 has been supplied to Air India by Aeroflot for flights between Delhi and Moscow on a one-year lease with pilots and cabin crew. Air India already has two leased IL-76 freighters.

A leased IL-62 passenger aircraft is also being considered for a new Delhi-Tashkent route by Indian Airlines, India's internal carrier which also

serves some nearby countries. In addition a fleet of 17-seat Antonov AN 28 turbo props manufactured in Poland is being offered, probably for sale, to the small Vayudoot feeder airline. Its price is believed to be \$17m per aircraft, considerably less than \$28m being paid by Vayudoot for 18-seat Dorniers from West Germany.

India has also been offered Soviet navigation and other airport control equipment. A formal protocol was signed by the two countries in New Delhi this week to extend collaboration in military aircraft, defence and industrial fields into aviation.

The proposals are part of a

general attempt to step up India's purchases within the two-way rupee trade, which last year totalled some \$240bn.

India gains because it does not have to use scarce foreign exchange, and items such as the aircraft are being offered on extremely soft financing terms. But it often has difficulty finding goods it wants.

Any widespread use of Soviet aircraft on lease using Soviet crews would be controversial and there are also reservations about performance. Indian Airlines has recently opposed a proposal to lease a 360-seater IL-56 for its busy Delhi-Bombay internal route.

Electrolux in S Korean joint venture

BY SARA WEBB, STOCKHOLM CORRESPONDENT

ELECTROLUX of Sweden, the world's leading white goods manufacturer and the European market leader in the manufacture of car seat belts, has agreed to set up a joint venture with Salsan Life Industries to produce and market seat belts in South Korea.

Electrolux sees South Korea as an important market for seat belts because of its domestic

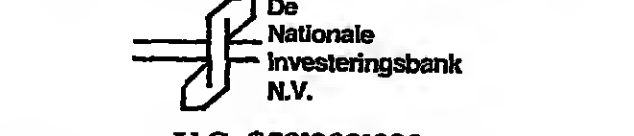
car industry. At the moment, Electrolux claims to have a 5 per cent share of the South Korean car seat belt market which it supplies from Europe, but is aiming to increase its market share significantly in competition with Japanese and domestic producers.

Once the joint venture starts up production later this year, Electrolux hopes that annual

sales could reach \$10m-\$15m, representing 30 per cent of the market.

The 50-50 joint venture, called Autoliv-Klippan Korea, will cost \$1.5m to set up. Electrolux said that its car seat belt sales totalled \$K1.7bn in Europe last year, representing 2.5 per cent of the group's global sales. It already has a joint venture in Japan

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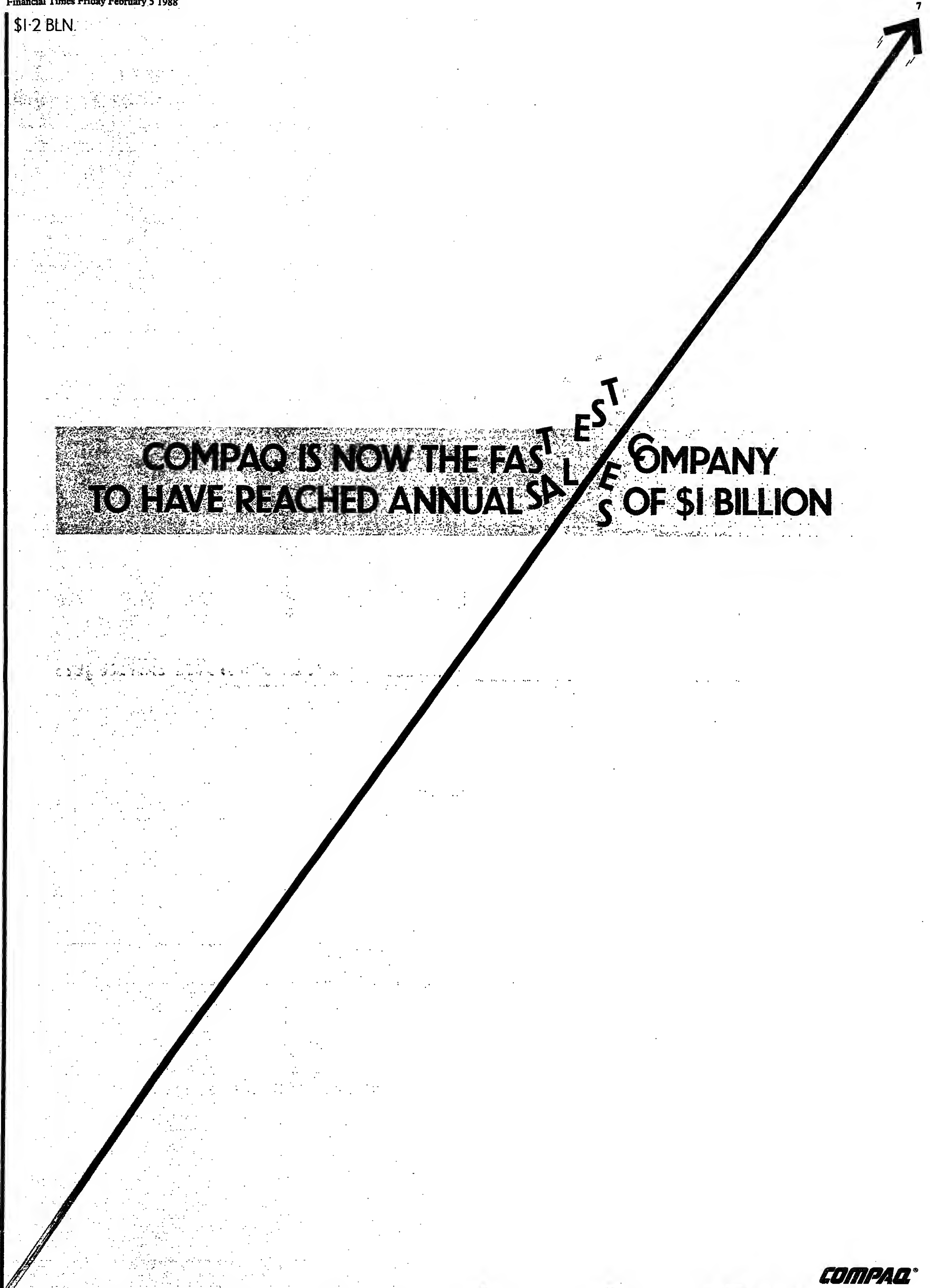
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UK NEWS

Ford on brink of national strike over pay

BY CHARLES LEADBEATER, LABOUR STAFF

FORD MOTOR Company's 32,600 manual workers could start a national strike from Monday, after rejecting a radical three-year pay and conditions offer...

Pit union safety ban hardens pay row

By Charles Leadbeater

THE PAY DISPUTE between Nacods, the pits' main union, and British Coal looks set to become increasingly hard fought...

Whitehall's radical secret emerges

Hazel Duffy examines the emergence of a blueprint for a dramatic shake-up

JUST BEFORE the general election, Mrs Margaret Thatcher, the Prime Minister, received a radical blueprint for reforming Whitehall which, if implemented, could see the majority of Britain's civil servants...

A cabinet committee will shortly consider radical plans to reshape the management of the civil service...

Following reports yesterday Government officials were stressing that final decisions have not been taken and detailed proposals have not yet come up for consideration by ministers.



Lord Rayner

In Brief

North Sea oil jobs in Scotland on the rise

Employment in the North Sea oil industry in Scotland is rising again, with the number of those employed in wholly oil-related activities up by 2,607 to 53,437...

Figures from the Manpower Services Commission shows the biggest rise in this sector's employment to have been in the Grampian region...

Employment in the sector slumped from an estimated 66,000 at the end of 1986 to 51,500 at the end of 1987 as oil prices collapsed and caused a curtailment of exploration.

Occidental raises Claymore estimates

Occidental Petroleum, US oil group headed by Dr Armand Hammer, said that the remaining recoverable oil reserve estimate for the Claymore field, 100 miles north-east of Aberdeen, had been upgraded by 21 per cent to 162m barrels.

This raises the ultimate oil recovery from the field to 479m barrels from 451m. The field last year produced 82,000 barrels of a day and has produced 317m barrels in total since production began in 1977.

Windmill for £3m

The European Commission is providing £1.05m towards a £3.5m wind-powered generator to be built near a General Electricity Generating Board power station in the southern county of Kent as part of a project to build similar generators at Esbjerg in Denmark and Cabo Vilano in northern Spain.

More beer brewed

Beer production rose 0.8 per cent to 35,699,715 barrels from 36,319,896 barrels the previous year, the Brewers Society said. This is the first rise in four years and was led by increased output of lager beer, which grew in volume and market share at the expense of more traditional English bitter ale.

Whisky galore

Scotch Whisky exports rose 2 per cent in 1987 over the previous year, while the volume of exports was the highest since 1982 at 240.1m litres of pure alcohol. Scotch Whisky Association figures show that the value of exports rose to £1.14bn, a 6 per cent increase on 1986.

Steel advisors

Phillips and Drew has been chosen by the British Steel Corporation as its new advisors for privatisation. Barclays de Zoete Wedd has been confirmed as its merchant bank advisors and Slaughter and May as legal advisors.

Striking seamen defy court order

BY JIMMY BURNS AND RAYMOND HUGHES

THOUSANDS OF seamen last night continued to disrupt British ferry and freight traffic in spite of an official instruction from a High Court order to go back to work.

55m assets and I am not prepared to be bused by the law," Mr McCluskie said. Mr McCluskie had been requested to attend yesterday's hearing after the High Court had held the union in contempt of court for defying an order on Monday to end the strike.

Coal executives are expected to take a tough line over this weekend's overtime ban. Deputies were warned in letters issued earlier this week that weekend work was particularly important.

They were told that they may be dismissed, or have their pay docked, if they work fewer than 21 shifts in a four-week period.

Protest action by nurses over the Government's banding of the National Health Service continued yesterday with a 24-hour strike at Ealing General Hospital, west London, which the Cofse health workers' union said was supported by 150 staff.

In Nottingham, health workers took part in a march and rally in support of higher pay and extra Government funding for the National Health Service.

Local hospitals had to postpone some routine operations.

Union leaders have warned of further action over the coming weeks unless the Government makes concessions on issues such as London weighting allowances. Negotiations on these allowances resume today.

Safety risk 'lower' for Sizewell design

BY DAVID FISHLICK, SCIENCE EDITOR

RISK OF a nuclear accident to Britain's new generation of nuclear stations based on the design of pressurised water reactor at Sizewell B, on the east coast of England, will be less than for reactors currently in operation, according to a discussion paper prepared by the Health and Safety Commission.

Mr Rimmington said he believed it was the first time anyone had set out the complete reasoning in lay terms for judgments on nuclear safety. It was couched in terms that anyone who has a reasonable science programme should be able to follow, he said.

King to hold further meeting with Irish

BY PETER RIDDELL AND TOM LYNCH

THE British Government will next week seek to regain the initiative in its currently strained relations with the Irish Republic resulting from the "Stalker" affair.

Mr Tom King, the Northern Ireland Secretary, will hold a further meeting in the first half of the week with Irish ministers in the framework of the Anglo-Irish agreement, the accord under which Ireland is given some influence in the running of the North. This follows the lengthy and difficult session with ministers in Belfast last Tuesday.

The difficulties arise from the Government's decision not to prosecute any of the Royal Ulster Constabulary officers alleged to have obstructed the police inquiry into allegations that the security forces operated a "shoot-to-kill" policy in Ulster in 1982. This followed the report compiled successively by Mr John Stalker, former deputy constable of Greater Manchester and Mr Colin Sampson, chief constable of West Yorkshire.

British ministers hope that Mr King will be able to give the broad outlines of his intended actions to the Irish Government and so defuse the current row which is dominating political discussion in Dublin and the Irish media. This would be reinforced by an early statement to MPs.

Crown staff consider protest at sell-off

By Ralph Atkins

STAFF AT the Crown Suppliers, the Government's central buying agency, may take industrial action in protest at the decision to sell the business to the private sector.

Civil service union leaders were being urged by some of the agency's 1,800 staff to consider possible overtime bans, the withdrawal of goodwill and refusing to cover for absent colleagues. Unions will meet on Monday to prepare a plan of action.

Many employees expressed anger at the lack of information given by ministers and the uncertainty about the future. Some staff were at the agency's offices at Glasgow, Liverpool, Edinburgh and at the head office in London.



Women celebrate vote

TWO costumed law students flank 102-year-old Mrs Catherine Griffiths who yesterday returned to the House of Commons to celebrate the 70th anniversary of votes for women. Mrs Griffiths, a suffragette campaigner for the vote in the early 1900s struck her blow in 1912 by trying to put rails in the Commons seat of Mr Lloyd George, the prime minister of the day. She was jailed for the gesture.

Some 200 women met yesterday in Parliament's Grand Committee Room to mark the anniversary in a rally organised by the 300 group, which fights to get more women into political and public life. The rally heard calls for more women to stand for election to Parliament, which has 41 women MPs, or 5.5 per cent of the total. By comparison, 10.4 per cent of parliamentarians in West Germany's Bundestag are women, with the proportion exceeding a quarter in some other European countries.

Nixdorf wins point of sale contract for £50m

BY DAVID THOMAS

TESCO, the biggest retailer in Britain, has given one of the largest orders to date for electronic point of sale equipment to Nixdorf, the West German computer manufacturer.

The contract, worth just over £50m, is to introduce electronic sale systems into 180 of Tesco's largest stores by 1990.

The systems are intended to speed up individual and social customers through checkout points, increase the efficiency of the company's stock monitoring procedures and reduce the scope for error.

Purchases will be scanned and recorded electronically without checkout workers having to punch figures in manually processed cheques which will be processed electronically with the machines printing the relevant details onto the cheques.

London to have third business school

By Michael Dixon

A PRIVATELY funded business school is to be built on the Isle of Dogs in east London by Queen Mary College, one of the constituent colleges of London University.

Electricity board surprised by plan for split on sale

BY MAX WILKINSON, RESOURCES EDITOR

THE CENTRAL Electricity Generating Board reacted with surprise yesterday to the Government's plan to split it into three parts for privatisation later in this Parliament.

Although the CEBG was maintaining an uneasy silence yesterday, it was clear that the outcome of lengthy private talks between Mr Parkinson and Lord Marshall was much worse than many senior executives had expected.

Lord Marshall has until Wednesday to decide his public response. He is then due to appear before the Commons Select Committee on Energy which has started an enquiry into the privatisation of electricity.

The Government's plan, which has started an enquiry into the privatisation of electricity, is to float off about 30 per cent of the CEBG's power stations into a separate private company.

The board will also lose ownership of the national transmission grid. This will be transferred to a separate non-profit making company jointly owned by 12 private sector distribution companies.

Lord Marshall, chairman of the CEBG, was called from a meeting of his board on Wednesday afternoon to be told of the government's decision. It is regarded throughout the industry as a major defeat for the board.

Worries over upsurge in inflation 'exaggerated'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

CONCERN about an upsurge of inflationary pressures in Britain's economy - which led to this week's rise in interest rates - has been exaggerated, according to an analysis published by the Oxford Economic Forecasting Group.

In its latest set of projections the Oxford group says fears that the economy is close to "overheating" will recede this year as the pace of growth slows significantly. Rapid growth in credit in recent months and an upward trend in earnings are disquieting, but do not point to an immediate acceleration in the pace of price rises.

Hospitals then expected boost to consumption from any tax cuts in the March budget, Oxford says that economic growth may slow to about 2.5 per cent this year from 4 per cent in 1987. In 1988 output may rise less than 1.5 per cent. Mr Nigel Lawson, Chancellor of the Exchequer, will have scope to combine tax cuts worth more than £4.5bn with a zero public sector borrowing requirement in the next financial year, but he is likely to limit actual tax reductions to around £3bn.

Although slower growth will moderate inflationary pressures, however, it is unlikely to prevent a further widening in Britain's current account deficit. The deficit is forecast to rise from £2.7bn in 1987 to £3.4bn this year, as exports are hit by an accelerating rate of increase in unit costs and imports continue to rise strongly.

In a broader analysis of Britain's economic performance during the 1980s, the Oxford group says that there has been a marked improvement relative to its major competitors. The trends in the 1970s towards slower growth in productivity and smaller increases in per capita income than elsewhere have been reversed. It is less sanguine, however, over the prospects that such gains will continue. This rapid pace of earnings growth in Britain relative to other major industrial countries suggests renewed losses in competitiveness over the medium term.

Developing and newly industrialised countries in Asia will be the star performers on the world economic scene in 1988, according to the Economist Intelligence Unit. In its World Outlook 1988, the unit says that economic growth rates of 7 per cent in South Korea, 9 per cent in Hong Kong, and 8.5 per cent in China, will compare with an average in Western industrialised nations of just 2.4 per cent.

US growth is likely to turn out at fractionally below the average, while the Japanese and, in particular, the West German economies, will not expand fast enough to take up the resulting slack.

Handwritten Arabic text at the bottom of the page.

A preposterous suggestion, you may say. Quite ludicrous. But before you dismiss it as pure fiction, consider the following facts.

The rate of information growth is doubling every five years. Currently, 6000 new scientific articles are published every week.

An explosion of facts and figures shattering the dreams of anyone hoping to become a Jack-of-all-trades. Indeed, being the master of just one is now a race where the finishing line keeps moving.

Skills and knowledge that may have taken years to acquire can be out of date almost overnight.

Think of the ship designers in the north-east who have had to turn their hand to designing oil rigs.

The plant breeders who have had their world turned upside down by the advent of genetic engineering.

The textile designers who have had their crayons replaced by computer keys.

Formal qualifications on their C.V.'s, though important, would have given little indication of their capacity to accept and adapt to change.

WILL TODAY'S GRADUATE BE WEARING A DIFFERENT HAT IN THREE YEARS' TIME?

Of course, if we expect people to have a more flexible, adaptable outlook on work, we must also expect the same of their employers.

So companies must be prepared to do more than just give time off for occasional conferences. They must also allow time off to attend business schools and retraining courses. And maybe more.

Some companies do already. But should we follow the example of countries like Sweden where mid-career breaks of several years are not uncommon? In fact, is it time we reappraised our attitude towards career patterns entirely?

Traditionally, the long serving employee has been held up as the shining example. And, of course, many years of experience in a company can be invaluable.

But in today's fast changing world perhaps we should look more favourably on frequent job changes and regard them as the need to face fresh challenges.

That, in itself, is a challenge that business may soon have to face.

Indeed, in our view, training, or lack of it, is very often at the root of many companies' staffing difficulties.

Yet, sadly some firms still see training as a side issue when compared with, say, providing plant and finance.

According to the latest (1985) MSC figures, the average company spends a mere 0.15% of its turnover on training.

As for ourselves, this year training will cost us some 10% of our income. It's a sizeable sum. But it's one we would not spend unless we knew it would repay us fully in the years to come.



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THE PROPERTY MARKET BY PAUL CHEESERIGHT

THE WELSH Development Agency is changing its spots. In the future, it is likely to be better known as a catalyst for private sector development than as a provider of industrial space.

Rich pastures in the valleys

The change is significant. South Wales is at the end of the M4 corridor and the WDA is a major player in an emerging market with land prices which are cheaper than those east of the River Severn.

In addition, internal Welsh market conditions have changed markedly over the last two years, permitting the WDA to be flexible. Its primary role, explains Ian Rooks, the property director, is to assemble and service land, ready for others to use. In short, to create better prospects for the private sector.

This sort of activity, which the WDA calls its Property Development Initiative has been criticised by the private sector. "It infuriates me," says Paul Guy, managing director of the Bailey Group, a privately-owned Cardiff developer, "that the WDA has good sites that we want to develop. They insist on going up to London to talk to London agents and developers when young Welsh companies like us can compete."

The influence of the WDA is strongest in one section of the market. "It dominates the market for new buildings and areas away from the motorways. But this is still only a relatively small percentage of the total stock," comments David Cochlin, the industrial property specialist in Cardiff for Cooke and Arkwright, the South Wales-based chartered surveyors.

But Mr Guy raises a diffi-

cult question - whether the WDA keeps out local private-sector developers or whether it builds because nobody else will. "Other than meeting specialist requirements, the private sector does not attempt to compete with the WDA," says Peter Morgan, director of Oldway Property of Merthyr.

"There is no way we can build at the levels of return they get and make a profit," he adds. He argues that the WDA was one factor depressing the market. The other is local authorities which build units with job creation in mind rather than seeking an economic return.

However, both Bailey and Oldway are co-operating with the WDA on specific projects in South Wales.

The hardening market makes that easier. Although the indicators do not exactly point to boom conditions they do suggest a revival of confidence and an outside interest in Wales that did not exist a couple of years ago.

A gap in the market has appeared with demand for units of between 3000 and 5000 sq ft outstripping available space. In the early 1980s, any building of 30,000 or 40,000 sq ft or more which came on the market would tend to stick. "You would take

what you could get for it," said Mr Cochlin. "Now you will tend to get more than one firm chasing it."

The vacancy rate in the WDA portfolio at 7.4 per cent of a total of 18m sq ft is the lowest for eight years and drops to about 2 per cent in specific localities like Bridgend. At the same time the number of rent concession deals has dropped.

In the nine months to last December, says Mr Rooks, a quarter of the 261 units which the WDA let had rental agreements where there was some concession, like the phasing in of the full rent. Three years ago half the agreements would have contained concessions, he noted, some of them giving up to a year rent free.

At the top end of the industrial market in the Cardiff area, rents have been £2.50 per sq ft. A year ago "they were just about scraping over £2," recalls Mr Cochlin.

While much of the push behind the market has come from companies expanding - hence the demand for larger units - there has been some movement into Wales from companies outside. Jade Interiors is one example which Mr Cochlin quotes.

Despite this renewed activity, there remains a gap in the development process. "To get the market going you have to have the funds (the financial institutions) coming in to take the developer out," he said. The developer needs some assurance that ultimately somebody will buy what is being constructed.

"Fund managers used to think anything west of the Severn Bridge was in cloud cuckoo land. That is less so now. They will take developments up to £2m-£3m if you have a track record," said Mr Morgan.

This points up one facet of the changing approach of the WDA. It has organised itself to help narrow the risk for the private sector. This is not only a question of land assembly but also of marketing and financial aid.

Pump priming is how Mr Rooks termed it. "We go into discussions saying 'what do you want?' but 'what is necessary to get the project off the ground?' This, then, is the WDA trying to come to terms with what Healey and Baker, the surveyors, and Touche Ross, the accountants, had identified a year ago as the "viability gap" in Welsh property development.

But the WDA, despite a bigger development budget in the coming financial year - roughly £30m from grant-in-aid and £14m from its own capital receipts - also has to draw in more revenue. This is why it is starting to consider pulling together packages of property for sale to the Stock Exchange's new utilised market once it starts, perhaps later this year.

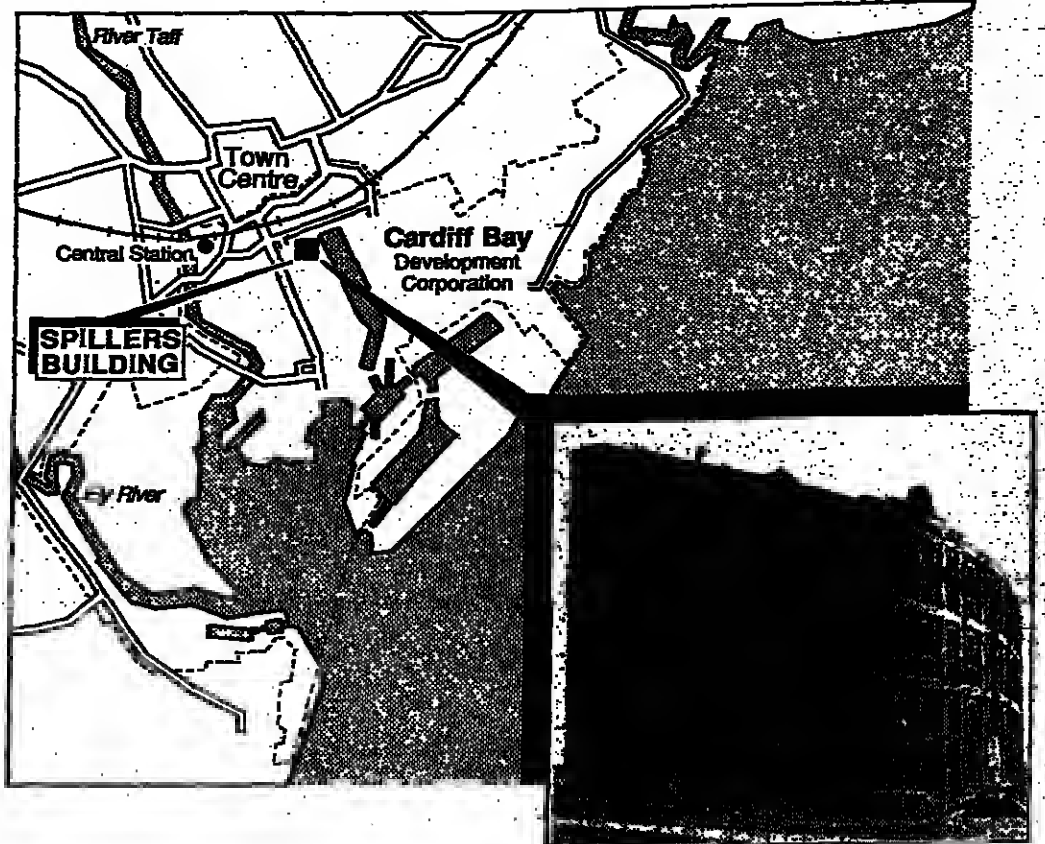
The Bay city rolls on

LOVELL Urban Renewal is to turn the Spillers and Bakers grain warehouse into flats on Atlantic Wharf, inside the Cardiff Bay Development Corporation area. This is an area where Tarmac has been active in housebuilding and will convert another warehouse into a hotel. These developments are just near the newly built headquarters for the South Glamorgan County Council.

Activity in the old Cardiff docks area has quickened since the Development Corporation was set up last year to promote and oversee regeneration. To some extent the Corporation can ride on the back of the improving Welsh property market.

But the Corporation's problem is that, unlike the London Docklands Development Corporation, it did not have any land under its direct control when it started. Now it is in the market to buy some.

It has just bought the 120 acres Pengam works site from Bever Group. It has identified eight specific priority areas, totalling 800 acres, where it will seek to acquire sites by negotiation or, failing



that, by compulsory purchase. Mr Barry Lane, chief executive of Cardiff Bay Development Corporation, said that during this financial year, the Corporation will spend \$5.5m on land assembly. Next financial year spending will rise to about \$8m.

Land purchase is the main thrust of the Corporation's present activities while it awaits a "regeneration strategy" commissioned from Llewellyn Davies Planning. This should be ready by April.

A major source of land for the Corporation could be the public sector. Around 90 per cent of the 2,700 acres which make up the Corporation's area is owned by local authorities, British Rail and the Welsh Development Agency. Prices are under \$100,000 an acre. The Corporation is wanting to buy now, enhance the value, and then sell on to the private sector for development. But, Mr Lane pointed out, "it would be foolish to lock land now and deny ourselves the betterment value, deny ourselves the income."

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Safety last - unless it pays its way

Paul Abrahams explains why advanced designs are not being adopted by commercial vehicle operators

SAFETY features rarely pay in the manufacture of commercial vehicles. Although there have been important advances in the design and construction of trucks to protect drivers, passengers and pedestrians, they are unlikely to be in widespread use until well into the 1990s, believes Mercedes-Benz, the West German truck-maker.

The cost for truck operators is too high and safety legislation, which would force adoption of the new technologies, is still some way off.

The delay in the application of safety systems is despite the large number of deaths from accidents involving heavy goods vehicles (HGVs). Britain has one of the best road-safety records in Europe but it still saw 13,428 accidents involving HGVs in 1986. Nearly 258 people were killed and 1,100 seriously injured.

Although Mercedes has invested heavily in safety features for trucks, it accepts that many of the developments it has pioneered are unlikely to become standard until there is legislation making them compulsory.

"Safety is a difficult concept to sell because the truck market is so highly price sensitive. Very few operators have been willing to pay £2,200 for our new anti-lock braking system," says Nigel Emms, a Mercedes executive.

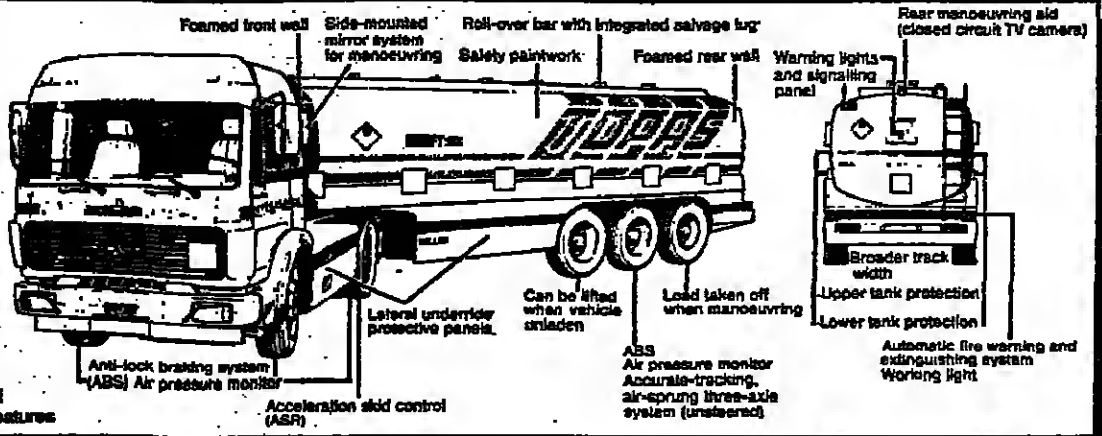
Other manufacturers of safety features have found that operators are unwilling to invest, even when the outlay per unit is small.

Monsanto's UK subsidiary, based in Leicester, has been marketing a device called Clear Pass, which it claims, absorbs more than 65 per cent of the spray from lorry wheels; considerably reducing the risk of blinding overtaking cars.

"Nevertheless, operators were very unwilling to fit the suppressor until legislation forced them to do so. Even now, 10 to 15 per cent of vehicles which should legally have the suppressors haven't been fitted with them," says Philip Chorlton, area marketing manager for Monsanto.

He explains: "The owners are waiting until their vehicle's next annual MOT test (Department of Transport roadworthiness examination) before fitting the devices. It isn't as though the product is

Mercedes TOPAS Safety tank truck



Electronic power shift (EPS) Safety package for the driver. Wear-free retarder.

* Tank truck with optimised passive and active safety features

dear - it only costs between £20 and £50 per axle to fit.

However, truck operators may be willing to accept safety products that are cost-effective. Mercedes-Benz has recently built a tanker, called Topas III (Tank truck with Optimised Passive and Active Safety features), which incorporates a number of safety features. Some of these, the company believes, may save operators money. They include:

• A braking system called a retarder or speed limiter. This relieves the normal systems brakes when the truck is travelling downhill for extended periods. The retarder can be set by the driver to maintain the vehicle at a certain speed. Its advantages are that the system's brakes sustain less wear, and, more important, the driver is not forced to decelerate and accelerate alternately which uses valuable fuel.

• Protective panels along the underside of the tanker. Many accidents between lorries and two-wheel vehicles occur when a right-hand drive truck turns left without the driver noticing anything on the inside. The victim then falls under the lorry and is crushed. The protective panels on the Mercedes trailer push the cyclist away from the lorry, and, through their aerodynamic design, provide the operator with a 5 to 10 per cent fuel saving.

• The trailer has a low centre of gravity. This allows the tanker to take corners at faster speeds. Mercedes has estimated that more than 60 per cent of accidents involving tankers occur when they

overturn. The Topas trailer's centre of gravity, 30cm lower than today's tankers, less the vehicle leaves motorway exits at around 40 kph - a speed which would normally cause it to tip over. A fuel economy is achieved through not having to slow down.

• An electronic gear shift called EPS (electronic power shift). The system makes gear-changing much easier and leads to greater fuel economy by encouraging the driver to make better use of the large number of gears available.

• An integrated anti-lock braking system (ABS) and anti-skid system (ASR). ABS ensures that when a lorry brakes, the individual wheels do not rotate at different speeds on different surfaces - the usual cause of skidding. The ASR system provides better grip in icy conditions and improves the ability of the lorry to pull away on slopes.

Pat Kennett, director of Transport Know-How, the Derbyshire-based transport consultants, believes that in areas with severe winter conditions ABS, ASR and the speed retarder could keep trailers on the roads for an extra 10 days a year - worth £10,000 per trailer in revenue to operators.

However, Mercedes says that - despite obvious safety benefits - there is little chance of operators purchasing other features on Topas III until legislation makes adoption compulsory. These features are:

• Side-mounted mirror systems fitted on the trailer. These improve visibility dur-

ing manoeuvres.

• A camera and cab monitor for viewing the blind area behind the tanker.

• A panel at the rear of the tanker which indicates that the vehicle is about to swing left in preparation for a turn to the right.

Mercedes also doubts whether much of the progress it has made in improving the working environment of the driver will be used.

The company says that the conditions in the driver's cab such as temperature, light and noise are important in reducing the risk of accidents. If drivers could be relieved of as much stress as possible they would be less prone to premature fatigue.

Between 80 and 90 per cent of accidents are the result of driver errors. If the reaction time of a driver just before an imminent accident was only half a second quicker, some 60 per cent of rear-end collisions, 50 per cent of accidents at cross-roads and 30 per cent of head-on collisions could be avoided. A full second would eliminate 80 per cent of rear-end accidents and 60 per cent of head-on collisions.

Nevertheless, the chances of legislation obliging operators to use advanced safety technology are limited, at least in the near future. Legislation which involves major investment by truck companies must be implemented throughout the EC if operators in individual countries are not to be disadvantaged by stricter domestic codes.

"If we are talking about legislation on a European basis - it can take a fair long time," says David Green, a director

of the British Freight Transport Association.

"A lot depends on how acceptable a measure is to individual countries. In theory, if everyone agrees, there is no reason why it shouldn't be passed in six months and be taken up in 12. But that is the exception rather than the rule," he explains.

Some of the problems are political. He says there are nationalistic overtones to the problem of standardisation and harmonisation of trucks, as well as the difficulties of the manufacturers gearing up for production.

The temptation to oblige operators to fit a certain product rather than setting standards - an admittedly complicated task - is also fraught with difficulties. The danger is that the legislated product becomes quickly outdated. In 1932, the British Parliament obliged London taxis to have Bendix brakes, which at that time were the best available. By the 1960s, they were the worst, but taxis still had to have them fitted.

But it may be possible to encourage operators to fit safety features through other means. Tax incentives could be offered for operators fitting ABS which incidentally reduces road wear. Similarly, truck owners could be encouraged to fit safety devices if they were offered lower insurance rates for doing so.

If some of the safety features available do not become common, it may need a significant accident involving a tanker to trigger the legislative process. The cost of lack of safety could be high.

WORTH WATCHING

Edited by Geoffrey Charlish

Getting more mileage out of rubbish tips

ENERCOL ENERGY Systems of Blackburn in the UK is using a £0.47m European Commission grant to develop collection and processing plant that will turn the methane given off by landfill rubbish tips into vehicle fuel.

The company has already successfully converted several Blackburn Borough Council vehicles to run on compressed natural gas from the mains. Now, in collaboration with Monsanto, it is developing ways of tapping gas from landfill sites.

Michael Summers, managing director of Enercol, says that the average tip will provide about 3m therms of gas per year. This is the equivalent of some 2.3m gallons of petrol a year, an asset worth about £3.5m annually with a tip life of 15 years. The total value to an authority over that period will be £52m, he explains.

The company will develop gas collectors and processing plant, to clean and enhance the calorific value of the gases. It will also develop a vehicle filling station to be located in the new Preston Dock development.

The gas will come from a large landfill site at Clifton Marsh owned by Lancashire County Council.

Heat beating filters show true colours

COLOUR FILTERS using up to 40 very accurately gauged thin coatings on the glass, instead of coloured glass throughout, have been launched by Balzers High Vacuum in the UK.

A particular advantage is that precisely reproducible colours can be obtained because there is no coloured glass to fade or be affected by heat from the light source.

In addition, more light is transmitted through the filter. Balzers believes the filters' unchanging colour accuracy will be welcomed in industries where items are sorted by colour using optical sorting equipment.

The heat resistance of the filters means they can be directly incorporated into

lighting optical systems in theatres, rather than being used as external components as they are now.

The multiple thin films used by the company produce optical interference at various wavelengths (colours) of light. (Interference, for a particular colour, involves two light waves which are "out of phase" and so cancel out.) Choice of the layer materials (metal oxides) and their precise thicknesses allows only one colour to be transmitted through the glass.

Setting glass in a magnetic spin

XIDEX CORPORATION, a US magnetic recording media specialist and Hoya, the Japanese photographic and glass company, are to co-operate to develop and produce a magnetic disk in which the magnetic medium is a thin film laid down in a vacuum on a glass substrate.

Conventional magnetic disks for computers have a coating that is spun by centrifugal action on to an aluminium platter. But the recording heads for future disks will have to "fly" much closer to the surface to achieve the higher recording densities the makers want on new, small disks for personal computers.

A very flat glass substrate and a thin film of magnetic material laid down in a vacuum are believed to be the answer.

Sinkings simulated for ship insurers

IN THE UK, the Salvage Association's naval architects have developed a computer program that allows progressive flooding of a vessel to be simulated. It will assist marine insurers in determining whether a reported incident could have been responsible for a sinking, or whether the ship should have taken a longer or shorter time to founder.

The program, which should also prove useful in ship design, makes use of well established data on ship flooding and cuts out what can be hours of calculations.

It continuously determines draft, trim and flooding levels, while following the progress of water entering the ship, and even taking into account any pumping that may have been attempted.

Rail messages get the express treatment

NORTHERN IRELAND Railways is using a radio data link to send operating messages to trains on two of its main line services. The control point operator uses a computer terminal to compose the text, which is sent over a data link supplied by Spectronics Micro Systems (SMS) of Cambridge, UK. This link operates on an existing radio network.

In the cab of the relevant train, an SMS mobile data terminal produces paper messages about signal conditions, authorisation to pass stop signals and similar information.

To date, drivers have had to leave the cab to use a lineside telephone. The new system provides printed confirmation of instructions and obviates verbal misunderstandings.

Philips sees red over optical discs

PHILIPS RESEARCH says it is the first laboratory in the West to announce a semiconductor laser that operates at the visible red wavelength of 650 nanometres (billionths of a metre). To date, such lasers have operated more towards infrared wavelengths.

These pin-head sized devices are used to illuminate the microscopic marks on optical discs in order to read the recorded data. Philips says that decreasing the wavelength of the laser will allow better discrimination and so allow even more data to be recorded per unit area.

The device produces a peak output power of 0.1 watt and has low internal losses, giving a very bright pin point of light.

CONTACTS: Enercol: UK, 0254 680820; Balzers: UK, 0427 2181; Xidex: UK office, 0734 85610; The Salvage Association: UK, 025 1298; SMS: UK, 0854 80688; Philips: The Netherlands, 40 767188.

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(Incorporated in Zimbabwe)
INTERIM REPORT

	31.12.87	31.12.86	31.12.87	31.12.86
Revenue	570	577,300	Revenue	354
Expenses	248,820	295,992	Expenses	7822
Total	321,180	281,308	Total	6196

OPERATING RESULTS (Zimbabwe)

	1987	1986
Working profit (Loss)	10219	(1824)
Financial profit (Loss)	(1222)	(1151)
Net profit (Loss)	9000	(2975)

For further details please contact:
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NOTICE is hereby given that for the period from 1st July 1987 to 31st December 1987 a 6% coupon in respect of the Shares will be payable from 15th February 1988 against presentation of the coupon number 6 at the undermentioned office at which the published Report and Accounts are available.
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St. Peter Post,
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Rate Notes due 1984/1989

On behalf of the commission of the European Communities, we inform all Noteholders that Notice is hereby given to redeem in full, the current principal (GBP 1,600,000-) on the 15th March 1988. Interest will be paid on such principal up to the date of redemption.

The redemption price (100 pct) will be payable upon the presentation and surrender of the said Notes, with all unexpired coupons appertaining thereto, at the offices of the Designated paying agents.

Paying Agents:
The Long-Term Credit Bank of Japan, Ltd
Bank of London, Ltd
8 King William Street
London EC4N 7BR
Banque Internationale a Luxembourg S.A.
2, Boulevard Royal
Luxembourg

From and after the redemption date (15th March 1988) interest shall cease to accrue on the Notes pertaining to the said issue.

The Long-Term Credit Bank of Japan, Ltd
London Branch
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Dated 29th January, 1988
Published 5th February, 1988

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APPOINTMENTS

Cluff Oil changes

CLUFF OIL has made the following board changes: Sir Thomas Pilkington becomes Deputy chairman replacing Mr Andrew McQuillan who retires as executive deputy chairman and finance director but remains a non-executive director; Mr Mark Ashley, the group company secretary and financial controller, is appointed to the board as finance director; Mr Simon Murray, group managing director of Hutchison and Mr Canziani, executive director of Hutchison, join the board as non-executive directors; and Mr G.G. Stockwell retires from the board but will continue as chairman of Cluff Oil plc, a wholly-owned subsidiary of Cluff.

RANK INTEL has appointed Mr David Featon as sales director; Mr Jack Brittain as business development director; Mr Ron Mansford as technical director; and Mr Alan Morris as works director.

Mr Ken Kemp has been promoted to business development director area Europe of the WESTERN PUBLISHING COMPANY INC.

EVODE GROUP has appointed Mr David Winterbottom as group managing director. He joined Evode in 1980 as group finance director, and subsequently became chairman of all the operating divisions.

MARRIOTT HOTELS AND RESORTS has promoted Mr Peter Haigh to regional director of sales and marketing for Europe, Middle East, Africa and Australia.

Mr Hugh Gemmill has been appointed chairman of SEEWICK UK (NATIONAL). He was chairman of the Scottish region.

Mr David Crook has been appointed managing director, circuit protection and control division, DELTA GROUP.

Mr Takashi Miura, deputy general manager of THE SANWA BANK in London is returning to Tokyo as deputy general manager of the corporate banking department at head office. He has been in London for four years as head of the corporate banking division. His successor, Mr Toshinori Oda, assistant general manager, is currently deputy head of the special finance division in London.

TSL GROUP has appointed Mr Michael Smithwick as a non-executive director. He is managing director of Nicklin Advertising.

AIR CALL COMMUNICATIONS has appointed Ms Anne Kane to the board. She has overall responsibility for radio paging, mobile radio, Teledata, and the company's other specialist handling services. She joined Air Call in 1971, and became chief executive last May. Mr Brian Hailes also joins the board. He is vice president - Europe and Latin America, for BellSouth, which has a 40 per cent stake in Air Call Communications.

NATIONAL TELEPHONES GROUP has appointed Mr Richard Fox as managing director of National Telephones (UK). He was marketing director of Rank Xerox in the UK. Mr Robin Allison has been appointed export director of National Telephone Systems. He was business development director at I.T.

Mr Rufus Godson has been appointed BRITISH GAS director of economic planning. He was chief economist. Mr Ian Prove has been appointed purchasing and contracts manager, supplies & transport department. He was chief supplies officer (engineering).

Mr P.F.A. Naak, of R.P. Martin, has been elected chairman of THE FOREIGN EXCHANGE AND CURRENCY DEPOSIT BROKERS' ASSOCIATION.

BRITISH TELECOM has appointed Mr Peter Macleod as director of information technology systems for the international products division. He joins from Unisys where he was director of strategic planning.

Mr Richard Bennett has been appointed an executive director of SEORALPLAN, responsible for products and marketing.

PEEK HOLDINGS has appointed main board director Mr Ian McCue responsible for developing the group's overseas activities. He is succeeded as managing director of Saracota Automation by Mr Tom Backle, previously managing director of Hawker Siddeley Dynamics Engineering.

Dr A. Chitty has been appointed deputy director of corporate engineering for NEL. He will join on June 1 from the Department of Trade and Industry, and becomes director of corporate engineering when Mr Philip Warner retires in early 1988.

EMESS has appointed Mr Vernon Cobb as group secretary. He was company secretary of Siebe. He takes over from Mr David Cutler, who will concentrate on his role as group finance director.

FT LAW REPORTS

VAT Commissioners' mistake means taxpayer must sue

COMMISSIONERS OF CUSTOMS AND EXCISE v FINE ART DEVELOPMENT plc
Court of Appeal (Lord Justice Glidewell and Lord Justice Taylor); January 28 1988

VALUE ADDED tax overpaid on the mis-direction of the Commissioners cannot be set off by the taxpayer against his current liability, and in the absence of agreement he can only seek to recover it by legal action.

The Court of Appeal so held when dismissing an appeal by the defendant, Fine Art Developments plc, from a decision of Sir Neil Lawson sitting as a High Court judge. The judge had given judgment for the Commissioners of Customs and Excise for unpaid value added tax, but stayed execution pending proceedings by Fine Art to recover the same amount from the Commissioners as monies paid by mistake.

LORD JUSTICE GLIDEWELL said that Fine Art manufactured and distributed greetings cards. It was registered for VAT and so was required to charge tax to its customers, and to account to the Commissioners for the tax so charged.

As the cards were normally resold by the customers, the price charged by Fine Art was less than the retail price.

On August 13 1981 the Commissioners directed Fine Art to calculate VAT on the retail value of the goods. Fine Art duly complied.

On February 13 1985 the European Court of Justice gave judgment in *Direct Cosmetics v Commissioners of Customs and Excise* [1985] 2 CMLR 145. Its effect was that the Commissioners had had no power to make the direction of August 13 1981, and it was therefore void. VAT should have been calculated on the prices charge by Fine Art to its customers.

Fine Art claimed repayment of tax overpaid between the date of the direction and the date of the European judgment. The Commissioners were not willing to repay tax

overpaid between August 13 1981 and November 8 1983, when the VAT tribunal referred *Direct Cosmetics* to Europe.

Fine Art calculated tax overpaid between those dates at £1,399,022. It decided to deduct it from a VAT payment.

On the return form, in Box 5 ["overdeclarations of VAT made on previous returns"], it stated a previous overdeclaration of £1,399,657. It added the figure in Box 4 ["VAT deductible...on inputs"] and inserted the total in Box 6 ["total VAT deductible (Box 4 + Box 5)"]. It deducted the total in Box 6 from the total VAT due shown in Box 3 to reach the net VAT payable which it set out in Box 7 ["net VAT payable... (difference between Boxes 3 and 6)"].

It set in the form accompanied by a letter explaining the reasons for the deduction, and a cheque for the sum shown in Box 7 as "net VAT payable".

The Commissioners issued their writ in the present action on October 20 1986. Sir Neil Lawson gave judgment for the sum claimed, but stayed execution on condition that Fine Art issued a writ claiming the same sum from the Commissioners as monies paid by mistake.

Fine Art did issue a writ, so at present the judgment against it could not be executed.

VAT was imposed by sections 1 and 2 of the Value Added Tax Act 1983.

Section 14 provided that tax should be paid by reference to periods, and that a person was entitled at the end of each period "to credit for so much of his input tax as is allowable...and then to deduct that amount from any output tax that is due from him".

Paragraph 2(4)(c) of Schedule 7 to the Act provided that "regulations...may make provision...for the correction of errors".

Regulation 58 of the Value Added Tax (General) Regulations 1985 provided that the taxpayer should furnish "a return on the form...in the Schedule...showing the amount of tax payable by or

to him and...full information in respect of the other matters specified in the form."

A registered person was therefore not merely permitted but was required by regulation 58 to insert in Box 5 the amount of any previous over-declaration of VAT.

Regulation 64 provided that if a person made an error in any return "he shall correct it in such manner...as the Commissioners may require". The Commissioners had issued a VAT Guide. Section VII was made under the powers in Schedule 7 to the Act, and had statutory force. Paragraph 63(b) of the Guide, which was in section VIII, stated that errors discovered after sending in a return should be recorded as under-declarations or over-declarations, and "you should carry the totals to your VAT account for adjustment in your next return".

On the present appeal Mr Laws for the Commissioners argued that section 14 of the Act specifically entitled the taxpayer to deduct input tax paid from output tax received, and to account for the balance. But, he said, there was no similar provision entitling him to deduct or take credit for previous overpayment.

Mr Mathew for Fine Art pointed out that it was required by regulation 58(1) to insert the amount of the previous overpayment in Box 5. Moreover the form, in Box 6, said that the total VAT deductible was the sum of input tax and any previous overpayment, and in Box 7, that the net VAT payable was the difference between Boxes 3 and 6, ie, after deduction of the previous overpayment.

He relied on the reasoning of Mr Justice Simon Brown in the analogous case of *Betterware Products* [1985] 1 FTLR 164.

There the judge said it was a necessary corollary of the Commissioners' argument that they had made no provision "for the correction of errors", but only for their notification. He found it impossible to construe the statutory form of return other than as providing "for the correction of errors". He said "Putting it in the

language of paragraph 63(b) of the General Guide, any under-declarations or over-declarations are, by the very structure of the form 'carried to your VAT account for adjustment in your next tax return'".

Both the form and the guide, he said, represented the Commissioners' requirements of the manner and time in which past errors should be corrected, as contemplated by regulation 64.

That judgment was most persuasive in Fine Art's favour.

Nevertheless, Mr Laws' submissions were correct. By the wording of sections 1, 2(1) and 14 of the Act, the tax for which a taxable person must account in any accounting period was calculated by deducting input tax from output tax.

No other deduction was envisaged or permitted by the Act.

There was no statutory mechanism for resolution of the question which had arisen in the present case and in *Betterware*. It was highly desirable that there should be such a mechanism, but desirability could not confer it into existence.

Fine Art's only remedy was to pursue its action against the Commissioners. The appeal was dismissed.

Lord Justice Taylor agreed.

For the Commissioners: John Laws (solicitor, HM Customs and Excise)
For Fine Art: Robert Mathew (Shakespeare Duggan Lea & Co, Birmingham)

Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full text of judgments. For subscription details contact Kluwer Law Publishing, London, WC2B 6BD. Telephone 01-831 0391

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 3rd February 1988, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£100 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2011
£100 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2024

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 3rd February 1988 as certified by the Government Brokers.

In addition, Her Majesty's Treasury has created on 3rd February 1988, and has issued to the National Debt Commissioners for public funds under their management, an additional amount of £200 million of 9 1/2 per cent Conversion Stock, 2005.

In each case, the amount issued on 3rd February 1988 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 2 1/2 per cent Index-Linked Treasury Stock, 2011 dated 22nd January 1982 (as amended by the supplement to the prospectus dated 9th March 1982) and 2 1/2 per cent Index-Linked Treasury Stock, 2024 dated 19th December 1986 may be obtained at the Bank of England, New Issues, Westing Street, London, EC4M 8AA. The Stocks are repayable and interest is payable half-yearly, on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of early redemption under certain circumstances).

Both the principal of and the interest on 2 1/2 per cent Index-Linked Treasury Stock, 2011 and 2 1/2 per cent Index-Linked Treasury Stock, 2024 are indexed to the General Index of Retail Prices. The index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index figure relevant to any month of issue of 2 1/2 per cent Index-Linked Treasury Stock, 2011 is that relating to May 1981 (284.1); the equivalent index figure for 2 1/2 per cent Index-Linked Treasury Stock, 2024 is that relating to April 1985 (385.3). These index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock as provided for in the prospectuses, the calculations will take account of the revision of the index to a new base of January 1987 = 100 (on the old base the index for January 1987 was 394.5).

The relevant index figures for the half-yearly interest payments on 2 1/2 per cent Index-Linked Treasury Stock, 2011 and 2 1/2 per cent Index-Linked Treasury Stock, 2024 are as follows:

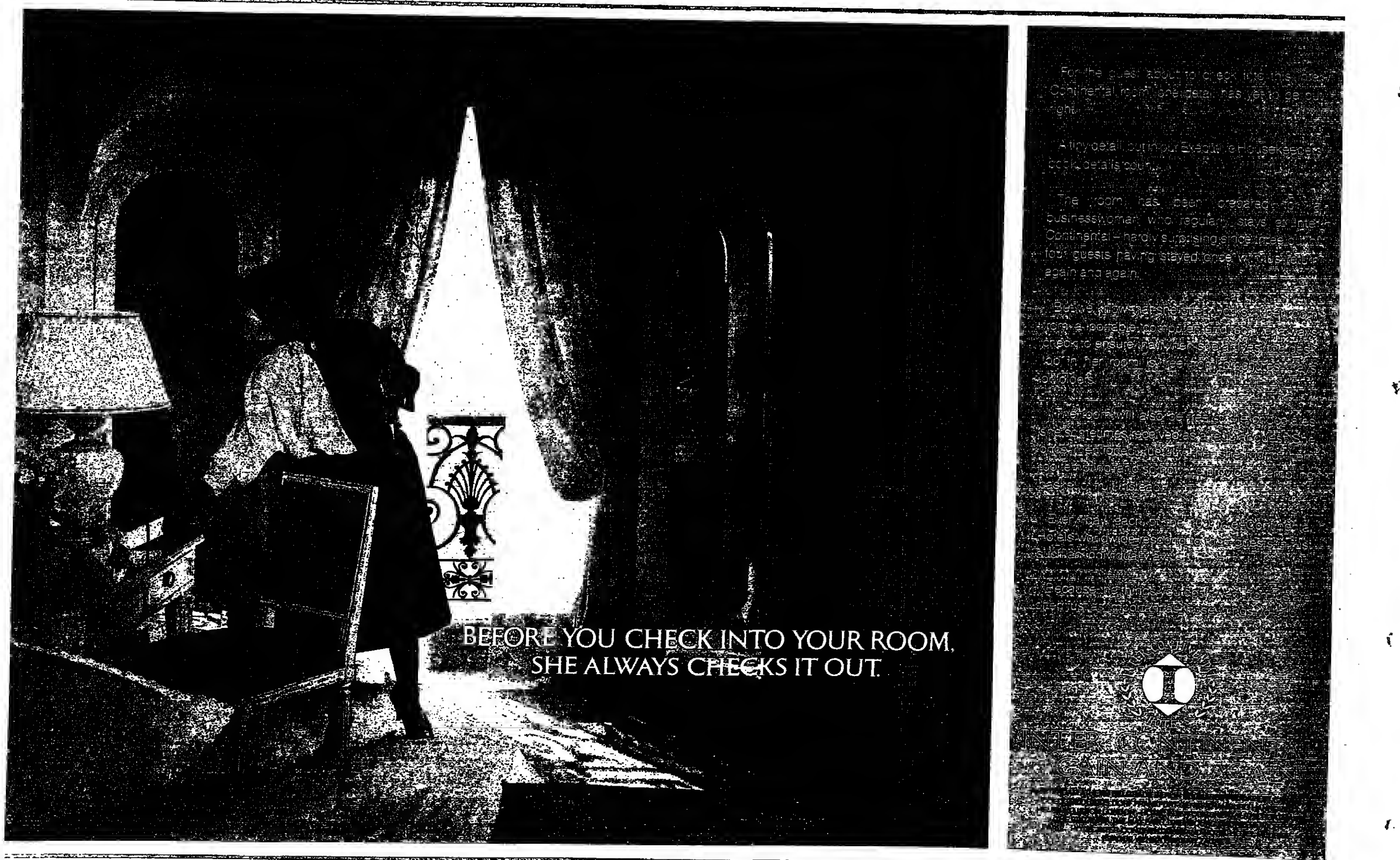
Interest payable	Published in	Relevant index figure	Relating to
February	July of the previous year	June	June
August	January of the same year	December	December
January	June of the previous year	May	May
July	December of the previous year	November	November

The further tranche of 2 1/2 per cent Index-Linked Treasury Stock, 2024 will rank for the full six months' interest due on 17th July 1988. The further tranche of 2 1/2 per cent Index-Linked Treasury Stock, 2011 has been issued on an ex-dividend basis and will not rank for the interest payment to be made on 23rd February 1988. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Thursday, 4th February 1988.

2 1/2 per cent Index-Linked Treasury Stock, 2024 will be specified, and 2 1/2 per cent Index-Linked Treasury Stock, 2011 is specified, under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
3rd February 1988



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ARTS

Arts Week

Fri Sat Sun Mon Tue Wed Thu

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Janacek's Jenůfa returns to the house in the production by Yuri Lyubimov...

PARIS

Paris Opera. Opheé aux Enfers is conducted by Lothar Zagrosek with Michel Sénéchal, tenor...

NEW YORK

Metropolitan Opera (Opera House). Nello Santi conducts Turandot in Franco Zeffirelli's production...

WEST GERMANY

Berlin, Deutsche Oper. La Gioconda has fine interpretations by Maria Stasara, Kaja Borris and Franco Bonissoli...

ITALY

Milan, Teatro Alla Scala. First performance in Italy of Niccolò Jommelli's Fetonte...

NETHERLANDS

Amsterdam, Muziektheater. Balance programme from the National Ballet, Bach's Concerto Arocco...

Theatre

LONDON

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical...

NEW YORK

Fences (46th Street). August Wilson likens a home-run, this year's Pulitzer Prize, with James Earl Jones taking the powerful lead...

Music

LONDON

Philharmonia Orchestra conducted by Sir Neville Marriner with Nigel Kennedy, violin, Wagner, Walton, Mussorgsky/Ravel, Royal Festival Hall (Mon), (928 3191)...

PARIS

Odette Pierrat, Organ; Vienne, Darricq, Morton; Feldman (8.30pm); Roland Pifoux, cello; Jean-Claude Pescairet, piano...

NETHERLANDS

Amsterdam, Concertgebouw. Anton Kersjes conducting the Netherlands Philharmonic with choir and soloists...

TOKYO

Pinchas Zukerman with the Tokyo Symphony Orchestra. Violin concertos by Bach and Beethoven. Suntory Hall (Mon), (928 6764)...

WASHINGTON

Baroque IV (Arena). Pirandello's mystery of the man who imagined himself as Emperor Henry IV of Germany is staged by Zeldia Fandler...

CHICAGO

Passions Play (Goodman). Peter Nichols' clever twinning of the major characters as they construct a duplicitous affair...

TOKYO

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms and its greatest writer, Chikamasa, has been compared with Shakespeare...

WASHINGTON

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Amsterdam, Concertgebouw. Anton Kersjes conducting the Netherlands Philharmonic with choir and soloists...

CHICAGO

Chicago Symphony. Sir Georg Solti conducting. Mahler (Tue); Sir Georg Solti conducting, Adolph Herseth trumpet, Huss, Bartok, Strauss (Thur), Orchestra Hall (486 8111)...

WASHINGTON

National Symphony, Mateliev Ros-tropovich conducting. Boyce, Tchaikovsky (Tue), Mateliev Ros-tropovich conducting also on Thursday with Eugene Istomin, piano, Kozmin, Haydn/Bruckner Kennedy Center Concert Hall (254 3776)...

CHICAGO

Chicago Symphony. Sir Georg Solti conducting. Mahler (Tue); Sir Georg Solti conducting, Adolph Herseth trumpet, Huss, Bartok, Strauss (Thur), Orchestra Hall (486 8111)...

WASHINGTON

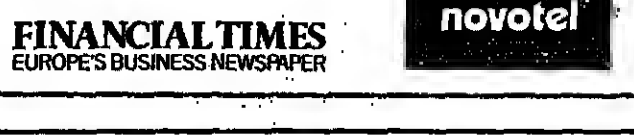
National Symphony, Mateliev Ros-tropovich conducting. Boyce, Tchaikovsky (Tue), Mateliev Ros-tropovich conducting also on Thursday with Eugene Istomin, piano, Kozmin, Haydn/Bruckner Kennedy Center Concert Hall (254 3776)...

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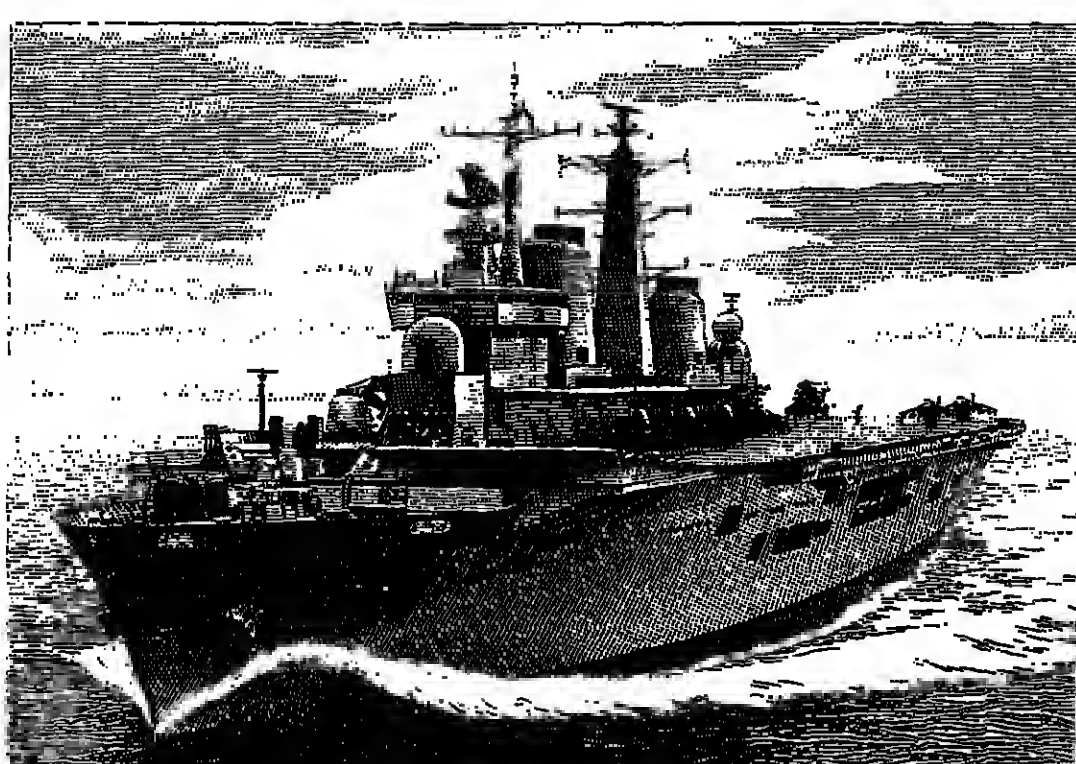
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Cranfield Organisational Power and Politics for Female Executives 11-13 April 1988

The number of women involved in top-level management and decision-making at work is still relatively small. Many reasons can be given for this but a major obstacle to many women's success is not understanding the power and politics in their own organisations.

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Unhappy Valley

White Mischief directed by Michael Radford... RoboCop directed by Paul Verhoeven... Dead of Winter directed by Arthur Penn... Terminus directed by Pierre William Glenn... My Life Without Steve directed by Gillian Leachy

Gather round, moviegoers. It is time for another game of Let's Filmy The Colonials. You may remember seeing this game played several times over recent years...

White Mischief director Michael Radford takes us to bygone Kenya. Here, under a grizzling sun, he touches down with a cast led by Charles Duce, Greta Scacchi and Jess Ackland...

Unfortunately, when this true-life story is translated to the screen, the nasty shooting incident turns out to be the movie. And director and co-screenwriter Radford, of Another Time Another Place and 1939, has tinkered shamelessly with the historical facts...

young wife Diana (Scacchi) and the handsome cad Lord Erroll (Dance), which ended in Erroll's mysterious midnight murder on a country road outside Nairobi...

Hand-in-hand with this misjudgment - which spreads a pall of melodramatic obviousness over every action and motive - is Radford's inability to get the cast to play anyone but themselves...

The attempts to align these stars with their historical counterparts are perfidious at best, risible at worst. Greta Scacchi wears a period hairdo and a smoky look, but is otherwise Greta Scacchi...

Like Hall, Davies uses the original text, ignoring the third act revisions elicited by Ella Kazan on Broadway...

some, fish-eyed, phlegmatic - as he and the rest of the cast drift through the film in a haze of twilight-colonial cliché...

A relief to travel from 1940 Kenya to 1988 Detroit and RoboCop. Our title hero is part man, part machine: the product of hi-tech surgery...

Dead of Winter, directed by Arthur Penn, is state-of-the-art middle-headedness. Please tell me, would you, if you were an aspiring actress...

As in O'Neill, too, there is the sense of painful truths cathartically unleashed. Nowhere more so than in Big Daddy's descent from exotic travogue memories to the harsh reality of a familial chasm...



John Hurt and Greta Scacchi in "White Mischief"

we flash out onto the streets for mors derring-do from the Cop in the Iron Corset. I shall not reveal the climax, in which our hero combats challenges from the most supra-human foe of all...

Terminus, directed by Pierre William Glenn, is a sci-fi movie whose plot is as confused as its percentage. A French-produced movie shot in Hungary with multi-national stars...

Miss Steenburgen soon raffles for mors derring-do from the Cop in the Iron Corset. I shall not reveal the climax...

Soon there are hyperdramas, cut telephone cords, isolating blizzards, bodies in the attic and the whole sub-Gothic paraphernalia...

Terminus, directed by Pierre William Glenn, is a sci-fi movie whose plot is as confused as its percentage...

stepping-stones of dubbed English dialogue. Someone is chasing someone else, who has escaped from somewhere in a futuristic truck...

Two Rossini overtures framed the Rendine work - those to Il Signor Bruscolino and L'italiana in Algeri - and Gemmetti presented them with broad good humour and well drilled orchestral playing...



Michael Coveney and Lindsay Duncan

depth and edge to her comedy playing, a lethal vengefulness breaking around her golden hair and alabaster shoulders...

As in A Touch of the Poet, the dialogue has the richness of a novel, and it certainly seems in the playing of Ian Charleson as Brick and Lindsay Duncan as Maggie that we are witnessing not just the end of an affair...

Cat on a Hot Tin Roof/Lyttelton

This white hot revival of Tennessee Williams' great study of social unease, sexual ambiguity and wholesale domestic mendacity on a cotton plantation in the Mississippi Delta...

When Peter Hall directed the British premiere 30 years ago, he was obliged to do so behind locked doors in club conditions. The House of Lords voting on Clause 28 in the Local Government Bill the other night...

Seascape/Finborough Arms

This is a movie with Barbara Streisand and George Segal of about 20 years ago that was never made. To his book-strewn seaside home Ben brings the half-drowned Tracy...

Needless to say their relationship blossoms overnight, and we next glimpse her in his big shirt while he sports that informal leisure wear that the Americans use as underclothing...

Italian Inspiration

Rossini and Bellini could only muster a handful of instrumental works each. Verdi surprised himself when he decided to compose a string quartet...

After the interval the English Chamber Orchestra under Raymond Leppard closed the series with Cherubini's Symphony in D, written for a commission in London...

Arts guide

Continued from Page 14

LONDON Tate Gallery. Douglas Cooper - The Masters of Oubou. A small but choice selection of 81 works on paper from Cooper's collection...

PARIS Zarbaran. From New York, an exhibition of 72 paintings represents the artistic development of the great masters of the Spanish Golden Age...

ROME, Galleria Nazionale D'Arte Moderna. Van Gogh Paintings and Drawings 1880-1890. The hysteria caused by the opening of this long-awaited exhibition...

WEST GERMANY Munich. Villa Stuck. Pablo Picasso exhibition (on loan from the Hanser Group). More than 300 paintings, drawings, graphic art prints from the artist's complete artistic range...

ROME, Palazzo dei Conservatori Campidoglio. Rides Treasure: The Imperial Silver Collection From Kaiserang. An extraordinarily fine collection of silver tableware dating from 850 AD...

SPAIN Madrid. Sala de Exposiciones. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to modernism has embraced most major British artists since William Blake...

CHICAGO Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden...

TOKYO Seibu Gallery. Seibu Department Store. Heibon drawings, photographs and videos by Christo. Of special interest are the designs for a project that could be realised later this year...

CHICAGO Tobacco and Salt Museum. Shibuya Beauties of Edo. Pleasure was pursued avidly by the people of Edo (present-day Tokyo) and the courtesan was therefore an important figure in this "floating world"...

TOKYO Tokyo Metropolitan Teien Art Museum. Near Meguro. Sweet Memories. Views and genre scenes of Tokyo, focusing on ordinary people and their lifestyles from Edo era woodblocks to contemporary works...

François Le Roux/Wigmore Hall

David Murray

Not very long ago I admired Le Roux in a Campra opera at Aix, but missed his Wigmore debut (in an ensemble concert) last autumn...

The lusty power of his voice is as much a matter of penetration as of size - the edge of his diction is reliably sharp, though a solid depth of tone supports it...

What one needs in Gillian Leahy's My Life Without Steve is a character who has ways of making us care. The character in her movies will still be speaking the same way even in the next millennium...

BBC Symphony/Festival Hall

Andrew Clements

BBC Symphony Orchestra concerts can generally be relied upon to have a definite shape and intention, whether the focus be the performance of a major repertory item...

Two Rossini overtures framed the Rendine work - those to Il Signor Bruscolino and L'italiana in Algeri - and Gemmetti presented them with broad good humour and well drilled orchestral playing...

la Fontaine." settings of no great musical ambitions which nevertheless exploit a wide vocal range to capture vividly the near-dry cruelties of the parables...

Le Roux couldn't quite persuade us that Ravel's fragile Clément Marot songs are apt for a baritone; but he was strongly communicative and decently stylish in Duparc and Reynaldo Hahn...

What one needs in Gillian Leahy's My Life Without Steve is a character who has ways of making us care. The character in her movies will still be speaking the same way even in the next millennium...

Saleroom/Antony Thorncroft

Strong market for silver

A pair of silver wine coolers, made by Paul de Lamerie in London in 1727, sold for £402,000 at Sotheby's yesterday...

They had originally cost £252 in 1994. On top of de Lamerie's silver market is that of his fellow Huguenot, Paul Crespin, who had been commissioned to provide the silver service, but who obviously contracted some of it out to friends...

FINANCIAL TIMES

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Friday February 5 1988

Mr Reagan's lost cause

TWICE IN the last 10 years, the US Congress has narrowly but decisively dispatched an important message about American relationships with its southern neighbours. In 1978 it ratified the treaty transferring control of the Panama Canal from US hands by the end of this century; on Wednesday night it denied the Administration more funds for the Nicaraguan Contras. On both issues Ronald Reagan was on the losing side.

Monroe principle

His Administration has always had its obsessions. In foreign policy, its leitmotif has been a fixation with the communist threat around the world. This has not prevented the US from signing one arms control agreement with the Soviet Union and seeking to negotiate another, but, especially where it concerned, fear of communist intrusion has been dominant. It is natural that the US should have a close interest in central America and the Caribbean. The Monroe Doctrine laid down the principle 185 years ago and there has been a consistent record of US intervention in the region ever since. President Kennedy became consumed with Castro's Cuba as a Soviet beachhead. The same perceived threat induced President Johnson to send troops to the Dominican Republic and Mr Reagan to invade Grenada.

But no US Administration has allowed its priorities to become so skewed as Mr Reagan's in its policies towards the Sandinistas. At the cost of no real Contra successes on the ground, the President has had to put his prestige on the line with monotonous regularity in trying to extract funds from Congress. More than that, his obsession brought about the Iran-Cuba deal, which undermined the credibility of his second term.

Mr Reagan can console himself that at least the Sandinistas are talking to the Contras, something that might not have happened without US support of the insurgents. But

the Contras constitute nobody's ideal, other than Mr Reagan's, of a legitimate democratic force, and, stripped of that support, it is hard to be optimistic that the talks will get far. Continuing pressure on the Sandinistas to be reasonable, however, will result from Nicaragua's dire economic plight and the unwillingness of the Soviet Union to continue pouring money down a sinkhole.

But the key to the President's political failure at home has been his inability to convince his public and politicians that a hostile regime in a country as small as Nicaragua constitutes a threat to US domestic security. In this latest instance, the existence of an alternative peace plan, devised by President Costa Rica and aimed at the whole region, may have been a contributory factor with Congress. But the undeniable conclusion is that Mr Reagan's case was never good enough.

Emotional commitment

The optimal solution would be for the US honourably to cut its losses by supporting the Arias plan as the best available, if imperfect, vehicle. For President Reagan this may be too much to expect, given his emotional commitment to his "freedom fighters." But the next US President, less constrained, might consider economic assistance, conditional on good Nicaraguan behaviour.

There are wider lessons, too. The Administration has been showing welcome, if belated, signs of attending to problems in southern Africa and the Middle East. It is hard to know what to make of the latest talks on Angola, other than to note that they did involve direct contacts between the US and Cuba; similarly the shape of a new US initiative for Israel's occupied territories remains indistinct, but the despatch of the State Department emissary to the region holds promise. More of this, and less on Central America, would restore a necessary balance to US foreign policy, even in an election year.

Timely warning to the banks

TWO OF the world's most prominent banking supervisors have recently pointed out the risks which international banks are running by making, not inadequate, but excessive provisions against their loans to Third World countries.

Mr Gerry Corrigan, the President of the New York Fed, said last week that banks which provide heavily in the expectation that debtors will fail to repay their debts may only create "self-fulfilling prophecies." Earlier this week, Mr Robin Leigh-Pemberton, Governor of the Bank of England, told bankers in this country that excessive provisioning would not only damage their interests but "send misleading signals to the debtors themselves."

Striking utterances

These utterances were striking because banking officials usually urge banks to make more rather than fewer provisions. Even if they do believe that provisions are adequate, it is rare for them to say so in public. However, the circumstances of Third World debt are also highly unusual, particularly at this time when new approaches to the problem are being tested. Provisions and in some cases write-offs are proliferating, and an innovative bond financing scheme has been proposed by Mexico which requires banks to compete in reducing the value of that country's loans.

The principle that borrowers must honour their debts is fundamental to banking, and bankers and supervisors both have to defend it. Debtor countries are already arguing, from the observation that their creditors do not expect them to service their debts in full, that they should not be expected to.

At a more practical level, there is also concern in the banking industry that provisioning is being used by strong banks as a competitive tool to outpace weaker banks. This worry is shared by

supervisors who would prefer banks to provide in a broadly similar range; this prevents unwieldy comparisons being made, and aids the orderly management of the debt problem. Mr John Reed, the chairman of Citicorp, who started last year's provisioning rush, has made himself highly unpopular among his competitors, and the enthusiastic application of which greeted Mr Leigh-Pemberton's comments this week reflected the frustration of bankers who have had to sacrifice hard-earned profits and capital to match Mr Reed's provision levels.

However, there is also little doubt that banks must make the final judgment about provisions on their own terms, and be free to go beyond the commonly accepted norms if they want. If the Mexican auction results in that country's loans being priced at only 50 per cent of their face value, it will be hard for banks to justify carrying them on their books at 60 or 70 per cent let alone 100 per cent, no matter what supervisory concessions are made to disguise the discrepancy. If, as a result of higher provisioning, the stronger banks gain a competitive advantage, that is their reward for good management.

Checks and balances

There are checks and balances to discourage banks from going too far: they would probably not obtain tax relief for obviously excessive provisions, and their balance sheet ratios would suffer in countries like the UK where provisions are deducted from capital.

Nevertheless, when making their decisions about the level of provisions, individual banks are unlikely to take account of the effect on debtor behaviour if all their competitors are obliged to follow suit. Mr Corrigan and Mr Leigh-Pemberton were right to remind them that more is at stake than tomorrow's share price or the next six months' results.

WEST GERMAN industrialists are not reaching for the panic button yet, but they are starting to finger their worry beads.

Now that the economic outlook has dimmed and the D-Mark soared, companies are bracing themselves for difficult times. Exporting has become chancier, labour costs have increased and short-time working has crept into some of the more vulnerable sectors, especially those with a high export dependence, like cars and machine tools.

An early victim of the slackening growth trend last year's 1.7 per cent rise in gross national product was the lowest for five years - has been the cosy relationship between the business establishment and Chancellor Helmut Kohl's centre-right coalition in Bonn. It has been soured by the Government's reluctance to stimulate domestic consumption - regarded as the main economic impetus now that exporting has become harder. Along with fiscal incentives for investment, many industrialists would like to see more deregulation, for example in retailing, and cuts in subsidies, notably to farmers.

The consensus is breaking down in other ways, too. Manufacturers are voicing renewed alarm about union moves to reduce working hours further. Mr Edzard Reuter, chairman of Daimler-Benz, has called for an end to demands for a 36-hour week and suggested a wage freeze. For investment, the policy-making competence of the German and other Western governments, incurring the wrath of Mr Gerhard Stoltenberg, the beleaguered Finance Minister.

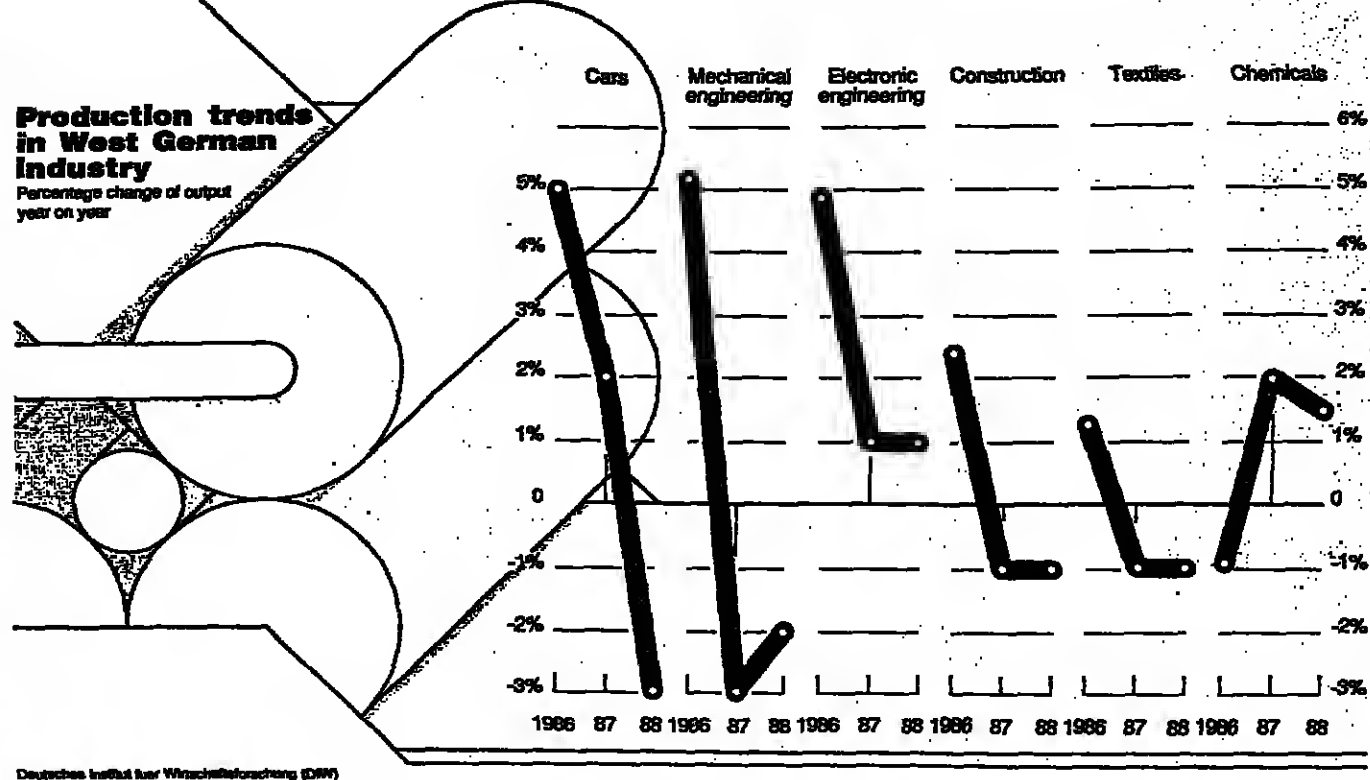
Even so, neither he nor most other businessmen predict recession. Although growth is only expected to be between 1.5 and 2 per cent this year, it is better than nothing. West Germany remains one of the most prosperous countries in the world and its people are among the best dressed, best fed and most widely travelled.

But industrial confidence has become fragile. This has long been reflected in the stock market, where foreign investors have turned bearish on the prospects of leading exporters. In the long term, Germany's standards of quality, reliability and service should see the best companies through. But managers have had to work hard to offset the disadvantages of the country's high labour costs and high currency to remain competitive against US, Japanese and European rivals.

Mr Leif Lunde, the Norwegian chairman of Decker, Germany's largest machine tool manufacturer, has decided that the time has come to dust off his copy of Peter Drucker's *Managing in Turbulent Times*. Like many other managers, he has been seeking ways to cut costs, spread materials purchases outside Germany and form partnerships in markets where the strong D-Mark makes exporting near impossible.

Decker's direct exposure to the US market is small. But industries like vehicles, engineering and aerospace, all with important overseas markets, are feeling the pinch. "There's no doubt that several customers are being hurt

Andrew Fisher reports on West German manufacturers' struggle to come to terms with a high D-Mark and low economic growth



Deutsche Institut für Wirtschaftsforschung (DIW)

Crossing the pain threshold

by the high D-Mark relative to the low dollar," he says. "Once you throw that rock into the water, there's no telling where the ripples will spread."

To try to minimise the impact of the low dollar, Decker has signed a deal with Hurco, a US company, under which the latter's electronics and control systems are installed in machine tool housings shipped from Germany. This means an important part of the product's value is insulated from currency fluctuations. Shipping 100 per cent of a product with the dollar around DM1.60 "is disastrous for anybody," he says.

After the latest, much improved US trade figures, the dollar recovered. But it is still way below the levels of a year ago, when it was nearly DM2.00, or three years ago when it approached DM3.50. Yet it is not so much the level of the currency that hurts, as the speed with which the dollar has declined.

This has lent urgency to companies' efforts to pare costs, shift more production abroad, purchase parts and materials in cheaper countries and increase automation. "Any modern company that wants to be successful has got to be exceedingly flexible," says Mr Heinz Duerr, chairman of AEG, the electrical and electronics concern controlled by Daimler.

He began warning about the consequences of the sliding dollar in 1986. "In the mean-

time, the pain threshold has been passed in many sectors," AEG, still rebuilding its finances after its near bankruptcy in the early 1980s, is investing heavily in research and modernisation and shifting more business into local markets.

Some 45 per cent of its trade is with foreign customers. But of that, only 30 per cent is in products that are made outside Germany. "We have to bring that up to 50

take advantage of the lower dollar by exporting from the US. Its bigger electronics rival, Siemens, is already advanced in its aim of becoming an onshore producer in the US. "Some 80 per cent of its US turnover, which should total nearly \$3bn this year, is produced locally. Moreover, Siemens exports about 20 per cent of its US output."

Siemens sounded alarm bells last November when it announced a dividend cut after a fall in profits, reflecting the high D-Mark and the worsening investment outlook.

The general mood at the start of 1988 is more downbeat. "There is no reason for panic," stated Daimler's Mr Reuter in a recent newspaper interview. "But, after the stock market collapse of October 19 1987, the problems of the world economy have become virulent in a way that anyone can recognise."

Financially, big companies like Daimler, Siemens or Volkswagen have little to worry about in the short term, since their cash

reserves are high. Siemens often has to defend itself against the charge that it behaves more like a bank. But to sharpen their technological edge, Germany's industrial companies need to invest heavily in research, product development and plant modernisation or expansion.

Two of the heaviest spending industries are cars and chemicals. While much of the spending by the big chemical concerns, Hoechst, Bayer and BASF, has been overseas, notably in the US, the car makers have concentrated most of their investment at home. After five years of rising sales, their industry faces a less buoyant year. For the chemical sector, the outlook is more positive since the build-up of US and other capacity outside Germany has helped companies benefit from the strong D-Mark.

The up-market motor groups like Daimler and BMW do not manufacture cars outside Germany, apart from their South African plants, though Daimler makes trucks abroad. Their policy is to keep production at home so as to maintain a close watch on quality and uphold the valuable Made in Germany image. Both have upgraded models through improving electronics, safety and comfort. Exports to the US have been hampered by the low dollar.

BMW, however, has stolen a march on Daimler. It introduced its sleek top-of-the-range 7-series more than a

year ago and has seen it head the executive car popularity lists. Since then it has unveiled its mid-range 5-series, continuing the smooth styling of the 7-series.

The luxury sports car maker, Porsche, is sorely in need of new models (and buyers) and suffering acutely in the wake of Wall Street's Black Monday this year. Mass car producers have slumped in the US, which takes more than half its output, workers have been put on short time and the previous chairman has stepped down in favour of his deputy. German industry as a whole is far less dependent on the US market than the hapless Porsche. Around a tenth of the country's exports go directly to the US; the European Community takes the rest. Even so, companies with a strong European bias are also having problems. In the past three years, the D-Mark has risen by 9 per cent against other currencies in the European Monetary System and a further EMS realignment is expected later this year.

Mass car producers like Volkswagen, Ford-Werke (part of Ford Motor of the US) and Opel (part of General Motors) have experienced sharply rising sales in Europe. But they have had to work hard as their costs as currency shifts have made German workers the industry's most expensive. Labour is being shed, though not through compulsory redundancies, automation is increasing and more parts are being purchased abroad.

At Opel, the cost-drive has led to more emphasis on switching supplies to foreign sources. It buys steel, as well as some steering, electrical and other components from the UK, and has best covers made in Spain. Mostly, says Mr Horst Herke, Opel's chairman, it is the lower technology parts that are bought elsewhere. "High-tech, you don't have that kind of a choice."

The more unique and sought after the product, the more chance its manufacturer has of surviving in rougher export markets. "There are always oases," says Mr Walther Bergerhof, head of Knaier, a small company which makes paving stone machinery. Some 70 per cent of Knaier's sales go abroad, chiefly to the US and Japan.

Costing anything up to DM1.5m, its machines are not cheap. But their high electronic content means they are advanced enough to attract orders, despite the low dollar and high D-Mark. "So far," adds Mr Bergerhof, "we have not suffered from the weak dollar." But there will be problems if investment spending suffers because of the cloudier economic outlook. "We will be hit if investments are retied back," he says. For big and small companies alike, the next few years are likely to bring some nasty jolts.

Crisis, what crisis?

Attempting to defuse the crisis in the National Health Service is becoming as difficult for those inside the service as those outside it.

Christopher Bridge, associate general manager at Charing Cross Hospital, London, or "deputy chief bureaucrat", to quote his own joke, said yesterday: "What a pain it is to be approached in this street and asked for their perspective of the NHS it always seems hostile. Ask them about their local hospital and they will give a most glowing appraisal."

It was the same with the taxi driver earlier in the week who said: "I don't know much about this health service dispute but it worries me, it does." Put on the spot Bridge came up with four reasons. Firstly, particularly because of the ageing population and technological developments, there is an increasing demand for the service. Secondly, while funding has increased, it has not been sufficient to prevent cash being drawn from other spending areas to top up staff pay which has risen by 7 per cent of all NHS spending. Nurses' pay is a real issue because that accounts for about a third of the NHS budget.

The issue has been exacerbated because of the cost-cutting exercises have been attempted, such as reducing allowances for nurses on night duties and meal allowances for blood transfusion staff.

Thirdly, the high cost of living in London is making the pay issue far more acute in the capital than elsewhere. The fourth factor in Bridge's explanation is perhaps the least defensible. It is what he calls "the degree of self fulfilment in press interest." He said: "I'm convinced that there is a bandwagon effect which the press can either help or destroy." At present, of course, the media is pushing the bandwagon, but when they get bored it will probably stop. "Perhaps the hari-kari being committed by the National

OBSERVER

Union of Seamen might help us," said Bridge.

The health service itself, he felt, was otherwise OK.

We attempted to telephone other administrators but they were all in meetings and couldn't be interrupted. What were these meetings, we asked in one call. "Management meetings" was the reply.

Enrichment

Christopher Harding, the man who is trying to give British Nuclear Fuels a new image, is toying with the idea of privatisation. It would not be immediate since the Department of Energy already has a lot on its plate with the privatisation of electricity and the expectation is that it would be more of an attraction to institutional investors than (say) Sid.

But it is not a bad idea. BNFL made a pre-tax profit last year of \$89m on a turnover of \$792m and had export sales of £152m. There is no obvious reason why it should be state-owned.

Harding has the reputation of being a hard man, especially because he became BNFL chairman after a long spell at Hanson. In fact, he is both charming and thoughtful. He should talk to more people.

and indeed in the next round against Liverpool.

Certainly Ladbroke has revised its opinions, lowering the 160-1 odds against Boro winning to 125-1. It is still an attractive bet.

French sex

In the handbook of international clichés, the French are generally supposed to be the most active sex lives and it is boring that those with the least active. Well, that is more or less what one would expect. And yet of those who make love every day, there are still 13 per cent who find it sometimes or often boring.

I was discussing the survey with a French doctor friend, and she immediately predicted that sex was likely to be most boring to the intellectual classes; and so it turns out. Over a third of those with an intellectual profession are sometimes subject to "ennui" during "l'amour", but only 15 per cent of farmers are so afflicted.

More surprising is the revelation that sex is apparently a much more rewarding activity to those on the right of the political spectrum than to those on the left. Among French Communists, 29 per cent find love-making boring, but among Gaullists the figure falls to 18 per cent.

Fire last time

Back to hotel fire warnings. A City reader claims to have seen the following in a famous old hotel in Tokyo, now rebuilt: "To protect your life and property, you should be locked the door even if you are in the room or out of it, especially in bed. And for the other guest, special care will be required for a fire."

best Embassies in London and should still.

What I would suggest is that after the Presidential election in the spring they should send one of the honourably defeated or non-standing candidates such as Michel Rocard from the moderate left or Raymond Barre from the moderate centre. Either of them could combine the post with giving the odd lecture at the London School of Economics. Certainly people would then take notice.

Boro for the cup

The argument that Middlesbrough should win the FA cup, outlined on Wednesday in this very space, is marginally less convincing now that they have lost home advantage by drawing 2-2 with Everton at Ayresome Park.

There comes a time, however, when the heart begins to rule the head and no-one who saw the match could deny that a repeat of their aggressive performance should carry them through in the second replay,

Cranfield

Organisational Power and Politics for Female Executives 11-13 April 1988

The number of women involved in top-level management and decision-making at work is still relatively small. Many reasons can be given for this but a major obstacle to many women's success is not understanding the power and politics in their own organisations.

To explore this issue and to provide an opportunity for executive women to work with other top-level female managers, Cranfield School of Management is offering a three-day seminar entitled *Organisational Power and Politics for Female Executives*.

The seminar will examine power at three levels: personal, interpersonal and organisational. It will also study the interrelationships between these and examine the issues that most affect the working lives of professional women.

Participants can expect to leave with a new understanding of their own attitudes towards power and politics, the ways in which they attempt to influence others and the long term and short term organisational and career implications of the power strategies they employ.

For further information please contact: Louise Stewart, Cranfield School of Management, Cranfield, Bedford MK43 0AL. Telephone: Bedford (0234) 751122.

Cranfield School of Management

سكول من الادب

IF THE British Government really believes in the freedom of the individual and the beneficence of the market, it will withdraw Part II of the Great Education Reform Bill and think it through again.

It would be a pretty momentous bill even without the unnecessary part. After all, Part I, to which most parliamentary time has so far been given, establishes a national core curriculum for state schools, provides for the delegation of budgetary authority to individual schools and allows parents to vote to take schools out of local authority control.

Part III is devoted to the Inner London Education Authority; in its original form it would merely have allowed the authority to opt out, thus threatening its death by a thousand cuts. Now it is proposed to zap the authority away in more or less one blast; this was not in the manifesto.

Such much else to be done it can hardly be said that a strategic withdrawal of Part II would emasculate the bill. It is true that the manifesto foreshadowed the letter of the proposed new arrangement - that is, the replacement of the University Grants Committee with a new University Funding Council, but it failed to emphasise that the former, at least theoretically, represented university interests, while the latter may be used as a mechanism for imposing central government manpower planning on the universities.

Imposing what? What I said. The very phrase is there, in the manifesto, in the market, Thatcherite, election manifesto: "We must meet the nation's demand for highly qualified manpower to compete in international markets." Who wrote that? The ghosts of Butskell? Harold Wilson? Edward Heath? Since the bill has been published,

POLITICS TODAY

Whitehall pays - and Whitehall calls the tune

By Joe Rogaly

The awful realisation has slowly dawned. The Government has been caught napping by some pre-Thatcherite civil service minds. Could the chief villain be Lord Croham, upon whose report the draft legislation is based? Under the name of Douglas Allen, he served the masters of old-fashioned conservatism for 15 years. He joined the Treasury (over which he eventually presided as Permanent Secretary), until 1977, when he left for that same private sector that the Government usually tells us is far better at things like manpower planning than any official could ever be.

Incidentally, Mr Baker's bill also provides for the removal of most polytechnics from local authority control. They will become autonomous, self-governing corporations. This is described as setting them free. The little matter of their finances will be placed under a Polytechnics and Colleges Funding Council, which shall be appointed by the minister and be responsible to the minister and clause 94. In the English I understand, this can only be described as making it possible to remove with the left hand that freedom which was granted with the right.

Small wonder, therefore, that there are long faces on the right. Mrs Thatcher's family think-tank, the Centre for Policy Studies, has solicited and published a marvellously entertaining polemic against the proposals on universities. It is written by Mr Elie Kedourie, Professor of Politics at the University of London. The original market-oriented think tank, the Institute for Economic Affairs, allowed Professor Kedourie the floor at one of its celebrated Hobart lunches a week ago today. Everyone seemed to agree that if the Government gives taxpayers' money to the universities, it should want to see how the cash is spent.



universities as a producer interest, has a list of amendments, tabled by Labour, that would seek to "protect academic freedom" without destroying the essence of Part II. It should beware. The Government may give in. It will argue, with some reason, that Part II is really only technical and that the powers it gives to the Secretary of State are already available to him in other forms, should he be unscrupulous enough to dredge them up. But it will not be obtuse about amendments. The process might help this section of the bill through both houses.

At this point the vice chancellors would have snatched themselves shut in a trap of their own making. Their demand is simple: the money, please, and no questions asked. To the extent that this is met, they will be subject to a future of endless wrangles over funding. Their independence will inevitably be compromised - unless they learn the lesson the true believers in the Conservative Party want them to learn.

This is that they must look elsewhere for their funds. I do not believe that Mr Baker, or his higher education under-secretary, Mr Robert Jackson, really intend to diminish academic freedom or monitor the study of the liberal arts (although they may convince themselves that the number of engineers or teachers should be predicted and planned for). But the danger is that they or their successors might do such terrible things as increase with every extra pound that the universities solicit from government.

Some in the ranks behind the vice chancellors may be oblivious of this. The thinking ones among them will realise that the entire history I have just related will in the end serve merely to soften up the academic world for a future in which universities are obliged to do outside fundraising deals. They will have to solicit greater numbers of ever more lucrative research contracts. They must appeal to private benefactors. The sales promotion of places to wealthy foreign students will have to be stepped up. Trips to Tokyo to extract yen from the ever-generous Japanese will become even more commonplace. And students, assisted by loans or direct subsidies, will themselves pay increasing proportions of their fees directly to the bursar. It makes you wonder whether the Government has planned it that way from the start.

The committee of vice chancellors, which represents the

Lombard Tiptoeing over the crash

-By John Plender

THE TRANSATLANTIC difference in attitudes towards the financial markets has never been more striking than in the aftermath of the October crash. In the US a presidential task force has been set up to investigate the implications of abolishing fixed commissions.

The publicly announced details of the deal were sketchy - perhaps a matter of necessity, given that the stock exchange was a private club whose members had to be nursed carefully through detailed changes to the rule book. But it was also, perhaps, a reflection of the fact that there was no consensus at the time on what the abolition of minimum fixed commissions might mean for a dealing system that imposed a rigid distinction between jobber and broker.

Today there is general agreement that fixed commissions were indeed the cornerstone of the arch of the dealing system. Yet there has never been a genuinely public debate on how the interests of investors and companies would be affected by the change. Nor is there likely to be one on the crash.

It may also be that the Americans are using the markets as a scapegoat for a broader failure of economic policy. But there remains a nagging doubt. Has anything in Britain changed to prevent a future crash? And - in the absence of wider debate - is anything likely to?

The screw is tightening

From Mr Charles Young. Sir, There may be a case for keeping the sterling exchange rate high at present, and there may be a case for managed exchange rates. But to leap from either of these to a specific argument for a sterling/Deutsche Mark link, as Samuel Brittan constantly does (for example, January 25) is a dangerous fallacy.

Nobody in his right mind would advocate at present a link between sterling and the dollar. The dollar exchange rate is clearly influenced by the US's chronic internal structural problems, which we do not share. Why do we not fall to notice that the same applies to the DM? The recent fiscal tightening in West Germany, partly in order to offset losses sustained by the Bundesbank in trying to keep the DM down, signals another turn of the screw tightening the vicious circle which has kept the German economy stagnant for most of the 1980s.

Charles Young, Lendell Mills Commodities Studies, 50/51 Wells Street, W1

Letters to the Editor

Not as glum as it looked

From Mr Garry Mackenzie. Sir, As part of my ceaseless campaign to set the world to rights may I take you to task on your assertion in "A glum 100" (January 27), that since October 19 there has been what you describe as a "sustained bear market" in equities?

In common with much post-crash press comment your article has given star billing to the minister's own FT-SE 100 index fell further on Tuesday October 20 than on Monday October 19, and fell sharply again on Thursday October 22.

If your article had described the five days beginning Monday October 20 as "Black Week", and then focused on the performance of markets since October 26, then the conclusions arrived at may well have been quite different and somewhat less alarmist.

Between October 26 1987 and January 26 1988 major world markets moved as follows:

Table with 2 columns: Market, % change. UK +5.7, US +4.5, Japan +11.2, Europe (ex UK) -13.6, The World +4.1. Source: FT-A World Indices & adjusted.

From Miss Diane Coyle. Sir, Barry Riley (January 23) asserts that the size of the fall in share prices since early October justifies abandoning the conventional theory of stock market valuation. To attribute the crash to a "sudden sharp rise in the implied rate of discount applying to future dividends" would, he says, "be stretching credibility beyond reasonable limits".

In fact, simple calculations show that it is possible for quite moderate changes in expected profits and growth or the assessment of risk to lead to a sharp change in real terms. In the valuation of shares, for instance, by the International Metalworker's Federation. (The comparative data is based on average hourly earnings for 1986, after deduction of social security contributions.) If we compare metal workers in car manufacturing firms in the UK and Japan, to buy a comparable family car the metal worker had to work 1318 hours in Britain, but only 541 in Japan.

The OTCM will be missed

From Mr T.G. Wilmot. Sir, I was disappointed that Hester Farnborough (January 23) did not highlight the positive side of the Over-The-Counter Market.

It is generally acknowledged that the success of the OTCM led to the establishment of the Third Market by the London stock exchange. Young companies represent a more risky investment than companies which have been up and running for a number of years, and certainly the failure rate is higher than companies whose shares are dealt on the Unlisted Securities Market, or are fully listed. But a large number of companies would not be in business today if they had not been financed on the OTCM.

It will be a pity if the Financial Services Act results in a diminution of this sort of venture capital financing.

Tom Wilmet, Harvard Securities Group, 95 Southwark Street, SE1

'I will bet a dollar to a wet doughnut...'

From Mr Roland Shaw. Sir, It is a curious suggestion - made in a number of papers, including yours ("Lex", February 4) - that Arco, "flush with Britoil", paid less than £50m for Tricentral. The idea that a company abandons commercial judgment because it just made a profit elsewhere is, if not absurd, far from flattering to the Arco management.

We made a few millions out of our Tricentral shares which, I can assure you, will be spent prudently. I will bet a dollar to a wet doughnut that £2 a share for Tricentral will look a very reasonable price in twelve months.

Roland C. Shaw, Premier Consolidated Oilfields, 23 Lower Belgrave Street, SW1

Japanese and UK standards of living are not easily compared

From Mr Greg Bamber. Sir, In the continuing debate about Japan's industrial prowess, many generalisations have been based on erroneous assumptions. For example, it might be assumed that Japan's economic "success" has led to a relatively high standard of living for its population.

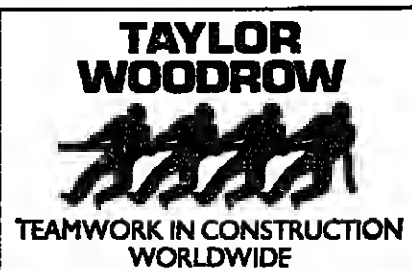
Gross domestic product per capita and nominal wages paid in manufacturing are both much higher in Japan than in the UK. But comparisons using these two indicators are distorted by the high yen/pound exchange rate, so the purchasing power of working time is also a useful indicator. Such indicators are analysed,

lower in Japan than in the UK, while Japanese workers are educated and trained to a much greater extent - and they live longer. Thus the purchasing power of working time is only one facet of relative living standards, and it may not be the most significant; but it can provide the basis for interesting comparisons with other countries. Philip Bassett's article (January 2), "Japanese worker longer" to buy consumer goods, which drew on E. Lansbury's and my recent book, unfortunately lost the crucial word "again" from its first sentence. This should have read: "Workers in Japan need to work almost half as

Advertisement for Comic Relief featuring the text: 'By tomorrow morning this newspaper may have become a child's blanket.' Includes details about donations and the charity's mission.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Friday February 5 1988



Chrysler advances 8% despite surge in sales

BY ANATOLE KALETSKY IN NEW YORK

CHRYSLER, the third largest US motor manufacturer, increased profits by only 8 per cent in the fourth quarter, despite a 29 per cent advance in sales.

Investors were somewhat disappointed by the results and Chrysler's share price fell by 1 1/4, or 5 per cent, to \$25 1/2 shortly after the company's announcement.

Net earnings were \$350m or \$1.67 a share, compared with \$324m or \$1.45 in the fourth quarter of 1986. Sales surged to \$7.87bn from \$6.94bn, partly as a result of Chrysler's acquisition of American Motors from Renault of France last summer.

which US car makers have managed to achieve in the past year, as foreign competition has subsided somewhat in response to the falling dollar.

Chrysler's factory unit sales volumes in the fourth quarter totaled 637,768 vehicles, up 14 per cent on the previous year's level. This compared with the 29 per cent increase in revenues. Chrysler's annual income in 1987 was \$1.29bn or \$5.90 a share. While this was lower than the \$1.39bn or \$8.25 the company earned the year before, the 1987 profits included a capital gain of \$132m from the sale of Chrysler's interest in Peugeot of France.

Excluding this gain, 1986 earnings would have been \$1.26bn or \$5.66 a share. After this adjustment the 1987 annual earnings would represent a gain of 2 per cent.

Sales in 1987 increased 15 per cent to \$26.29bn, while its annual factory unit sales rose only 2 per cent to 2.26m vehicles. Chrysler's share of the US car and light truck market increased in 1987 to 12.3 from 11.7 per cent in 1986. All of this gain was due to the acquisition of American Motors.

The company's financing arm, Chrysler Financial Corporation, contributed a net \$226m to 1987 profits, up sharply on the \$186m Chrysler Financial earned in 1986.

Allied-Signal ends year with earnings increase to \$77m

BY OUR FINANCIAL STAFF

ALLIED-SIGNAL, the diversified US aerospace, automotive and synthetic fibres group, has reported a strong end to the year's trading with fourth-quarter net profit from continuing operations rising to \$77m or 60 cents a share from \$47m or 25 cents.

In the latest quarter, a credit of \$69m from tax-loss carry-forwards lifted final net earnings to \$156m or 85 cents. In the year-ago quarter, operating income from discontinued operations of \$22m made a final net \$69m or 38 cents.

from continuing operations was \$61m or \$3.07 a share against \$63m or \$2.80. In 1987, after net from discontinued operations of \$3m, a gain of \$78m on disposal of discontinued operations and the \$55m tax credit, final net was \$656m or \$3.90 a share, compared with \$606m in 1986.

Sales in the fourth quarter rose from \$2.62bn to \$2.95bn, taking the full-year total to \$11.1bn from \$9.89bn.

In the aerospace sector, higher fourth-quarter sales of aircraft equipment and after-

market sales were partially offset by continued development costs, lower margins and operating problems at Garrett AirResearch.

Automotive sales were at record levels in both the quarter and year and profits would have reached new highs were it not for development costs of high potential advanced braking and electronics systems.

Earnings from the engineering materials business rose 12 per cent in the quarter because of increased sales and improved margins for plastics and performance materials.

BZW in pay-off deal with executives

By David Laseles, Banking Editor, in London

BARCLAYS de Zoete Wedd, investment banking arm of Barclays Bank of the UK, has offered early leaving terms to 16 former partners of De Zoete & Bevan and Wedd Duracher, the London stock market firms it bought to create BZW.

The pay-off will make several of them millionaires. The 16 are being released from the "golden handcuffs" put on them at the time of the acquisition in 1985 to ensure their continuing services during the early phase of the merger of the three companies. These hundreds consisted of founder shares in BZW which could only be sold after a certain number of years.

It is now saying that the former partners are mostly in their 40s and 50s, can sell their shares early because their services are no longer needed.

Included are Mr John Robertson, the former senior partner of Wedd Duracher, one of the City of London's largest jobbing firms, who is expected to receive several million pounds. Two or three others are also expected to receive seven-figure sums.

"Golden handcuffs" were common during the wave of acquisition of stockbroking and jobbing firms in 1984 and 1985. In the run-up to devaluation in 1986, most of them were fastened on for four or five years, meaning that they would not normally come off until next year at the earliest. But the more stringent climate in London has prompted some firms to bring the date forward.

Barclays spent a total of £125m (\$211m) buying Wedd and de Zoete. Although BZW has since emerged as one of the City's leading conglomerates, it is expected to report a loss of about \$60m for 1987 because of the collapse in the stock market.

Ferruzzi details regrouping

By John Wyles in Rome

THE FERRUZZI-Montedison group yesterday sought to respond to the criticism about the lack of clarity in its reorganisation plans by issuing information for the third consecutive day.

In the background, share prices of the reorganised companies stabilised and in some cases they increased. Italian banks were prominent buyers.

Mr Baul Gardini asked Consob, the stock exchange regulatory agency, for an inquiry into Monday and Tuesday's trading when his group's companies first suffered huge losses and were then suspended.

His request brought an assurance yesterday that a special committee of inquiry would meet within 10 days.

Parliamentary interest in the affair has also been ignited and Mr Franco Piga, the chairman of the Committee, was called yesterday into a closed session of the Senate's Treasury committee.

Ferruzzi yesterday released financial details of Ferruzzi Finanziaria's position as of last October 31. These put the company's assets at L1,217,64bn (\$894.6m) against net liabilities of L317bn.

USA TODAY NEWSPAPER MOVES INTO BLACK FOR FIRST TIME

Gannett profits up 20% to \$106m

BY OUR NEW YORK STAFF

GANNETT, the big US news media group, reported a 20 per cent advance in net earnings to \$106.6m or 66 cents a share in the fourth quarter, as USA Today, its ambitious and costly nationwide daily newspaper project, moved into profit for the first time.

In the fourth quarter of 1986, Gannett made \$88.8m or 66 cents. For the year as a whole, Gannett's net income increased by 18 per cent, to \$319.4m or \$1.93 a share, against \$278.1m or \$1.71 in 1986.

Gannett said its large collection of local newspapers contin-

ued to experience gains in classified advertising throughout 1987, although broadcasting and revenues declined in the fourth quarter.

Mr John Curley, president, noted that the advance in earnings had been achieved "despite a lacklustre economic environment" and pointed to the exceptional geographical diversity of Gannett's newspaper operations as its major source of strength.

Capital Cities/ABC, another leading broadcasting and newspaper company, made \$117m or \$6.91 a share in the fourth

quarter, 46 per cent up on the \$80m or \$4.90 it earned the year before.

Full year net income was \$270m or \$16.46, 64 per cent higher than the \$182m the company earned before extraordinary items in 1986.

The company said television network revenues, which had been weak for most of the year, rebounded in the fourth quarter, reflecting strong advertising demand. However, publishing revenues showed only modest gains.

Warner Communications, the large film and entertain-

ment group, also reported strong results. Warner's net income increased to \$92m or 59 cents a share in the fourth quarter, compared with \$62m or 38 cents the year before.

The year earlier figure included a gain from discontinued operations of \$22m or 16 cents. Warner's annual profit advanced to \$328m or \$2.09 a share, compared with \$185.8m or \$1.25.

Warner said its filmed entertainment division had had the best year in its history, although operating income was up only 2 per cent at \$175m.

B&D offer for Dee 'now final'

BY NIKKI TAIT IN LONDON

BARKER & DOBSON, the Budget supermarkets and sweets group which is waging a £2bn (\$3.6bn) bid battle for Britain's third largest grocery group, Dee Corporation, yesterday said it would not increase or revise its offer terms.

The company said it had reviewed Dee's profits forecast and made the decision "in view of the disappointing figures". Dee has predicted profits before tax "of the order of £185m" in the year to end April, a 4 per cent fall on the previous year.

However, the immediate market reaction was to mark Dee shares down sharply, on grow-

ing scepticism that the bid will now succeed. Dee's price fell from 194p to 180p initially, although they recovered to 185p by the close with some 25m shares traded. With B&D's shares 6p higher at 139p, the cash and shares offer is worth 217p.

B&D also said the controversial "gearing covenant" within its key £1.6bn loan agreement would be suspended until six months after the offer became unconditional.

In order to finance the cash element of its bid, B&D has lined up £1.24bn of loan finance with a seven-strong banking syndicate, and

arranged a further working capital facility of up to \$360m. However, the loan agreement stipulates that B&D must meet certain financial ratios throughout the three-year term - one of which specifies the relationship between borrowings and consolidated net worth.

Dee has consistently argued that this covenant will be breached after draw-down.

B&D rejects Dee's charge but said yesterday, "To ensure this matter is dealt with once and for all, the banks have agreed to suspend the borrowings to net worth covenant until the date six months after the offer becomes unconditional."

Privatbanken plans capital increase

BY HILARY BARNES IN COPENHAGEN

PRIVATBANKEN, the third largest Danish commercial bank, plans an increase in share capital of up to Dkr60m at a date yet to be fixed, the bank announced yesterday.

The bank reported an increase in group net profits to Dkr226m (\$35.2m) from Dkr191m in 1986, but profits before provisions declined from Dkr947m to Dkr926m after a 14.5 per cent rise in costs. Provisions were increased to

Dkr455m from Dkr328m, with earnings after provisions declining from Dkr19m to Dkr371m, which was described as below expectations.

There were extraordinary costs of Dkr36m compared with an income of Dkr247m, while the adjustment of the value of the securities portfolio showed a loss of Dkr140m compared with a 1986 loss of Dkr778m. Pre-tax profits increased from Dkr88m to Dkr295m.

Total assets increased from Dkr95.5bn to Dkr103.6bn and equity capital from Dkr4.6bn to Dkr5.2bn. Group advances increased by 16 per cent to Dkr47.7bn and deposits by 12 per cent to Dkr41.5bn.

The bank noted that it has increased provisions against loans to countries with payment problems to one third of the outstanding loans. Total group provisions against bad debts now stand at Dkr1.2bn.

Swedish group in Litton deal

By Sara Webb in Stockholm

SKANE-GRIPEN, a Swedish conglomerate based in Malmo, has decided to strengthen its bar-code equipment operations by acquiring part of Kimball Systems, the bar-code distributor owned by Litton Industries of the US.

Skane-Gripen's TI subsidiary makes food-processing equipment as well as marking and bar-code printers for the food industry.

It has annual sales of SKr450m (\$74.6m) and profits of about SKr30m and it will acquire Kimball Systems' European operations, which have a turnover of about SKr200m.

The most important part of the deal is the acquisition of Kimball Systems' distribution companies in France, Italy, Switzerland, West Germany, Finland and Sweden, which should help to increase market share in Europe, the group said.

Skane-Gripen reported profits, after financial items, of SKr255m on turnover of SKr6.4bn in 1986, though figures for 1987 - which have not been released yet - are expected to show an increase, helped by acquisitions.

Campeau offers merger talks

BY DAVID OWEN IN TORONTO

CAMPEAU, the Canadian property and retailing group controlled by Mr Jean Campeau, the mercurial Franco-Canadian, has followed up its initial US\$47-a-share tender offer for Federated Department Stores by proposing a merger agreement with the big US department store chain.

The new proposal, outlined by Campeau in a letter to the Cincinnati-based company's board, would provide for

existing Federated shareholders to receive \$61 a share, valued at the company's price to \$5.5 bn. However, it imposes an exceptionally tight time-frame, being conditional on obtaining the merger agreement by 5pm Eastern Standard Time tomorrow.

In the letter, Toronto-based Campeau expressed disappointment that the Federated board had been unwilling to

meet its representatives and concern that the company might take "extraordinary actions such as agreeing to substantial commitment and other fees and agreeing to sell blocks of stock or significant assets."

The company also indicated its preparedness to demonstrate to the Federated board its ability to finance the transaction - "including our ability to commit in excess of \$1 bn of equity."

Flotation of Matra 'a success'

By Paul Betts in Paris

THE FLOTATION of Matra, the French defence and electronics group, was five times subscribed, it was announced yesterday, thus proving a success for the Government despite fears that the privatisation would flop because of October's stock market crash.

The Matra sell-off, scheduled for three months ago, was suspended after the market collapse. However, last month Paris decided to go ahead with the sale of its 50.97 per cent controlling stake to show its continuing commitment to privatisation in the run up to the spring presidential elections.

Mr Edouard Balladur, the French Finance Minister, said yesterday that, following the privatisation, Matra was expected to have 300,000 shareholders - double the government's original target of 150,000.

Subscriptions equivalent to 18.2m Matra shares had been received, 7.9m of which came from individual shareholders - twice the number of shares on public offer. About 30 per cent of Matra parent company employees subscribed to the issue at preferential rates.

The shares were offered at FFr110, valuing the company at FFr1.19bn (\$383.4m). Trading in the shares is due to resume next Monday.

Upjohn scores 10% rise in fourth-quarter profit

BY OUR NEW YORK STAFF

UPJOHN, the Michigan-based pharmaceuticals company, has shown a rise of 10 per cent in fourth-quarter net earnings to \$71m or 38 cents a share, compared with \$64m or 34 cents earned a year earlier.

For 1987 as a whole, Upjohn earned \$300m or \$1.65 a share, 20 per cent higher than the 1986 profits of \$254m or \$1.35. Annual world sales increased 11 per cent to \$2.5bn, with human health-care products up 11 per cent and agricultural products 8 per cent higher. Upjohn HealthCare Services enjoyed "modest" revenue growth.

US sales were up 7 per cent to \$1.6bn, while foreign sales increased to \$955m. The total sales increase of 11

per cent was made up of a volume gain of 6 per cent, an average price increase of 5 per cent and a 1 per cent currency benefit.

The company's biggest selling drugs were Xanax and Halcion, two agents for treating central nervous system disorders. Another widely publicised drug, the anti-baldness treatment Regaine, has been approved for sale on prescription in 37 countries, but not in the US.

Mr Theodore Cooper, chairman, said he was "hopeful of US approval in the near future". Upjohn has formed a co-operative venture with Procter & Gamble for the discovery and development of further hair-growth products.

Dominion Securities to shed eight senior staff

BY OUR TORONTO CORRESPONDENT

DOMINION SECURITIES, Canada's leading investment dealer, is to shed eight senior staff including Mr Carl Balgic, chief economist, in response to the October market crash and its pending merger with Royal Bank of Canada.

The country's largest chartered bank agreed in December to pay \$358m for a 75 per cent interest in the firm. Mr Anthony Fell, Dominion president, indicated at the time that "modest" staff cutbacks might ensue.

Also leaving are Mr Michael Biscotti, head of institutional equity trading, Mr AJ Green, corporate secretary, Mr Gordon Campbell, head of Vancouver operations, and four corporate vice presidents.

Those affected have either reached the firm's new mandatory retirement age of 60 or have agreed to early retirement.

The firm had already responded to the recent contraction in business volumes by imposing across-the-board salary cuts.

Eastman Kodak stages sharp recovery

BY OUR NEW YORK STAFF

EASTMAN KODAK, the photographic group, stock in which has been under strong selling pressure since it launched a \$6.1bn bid for Sterling Drug last month, has produced a sharp recovery in fourth-quarter net results - although its stock price fell further.

Kodak, which is seeking to expand into pharmaceuticals from its base in chemicals and photographic equipment, revealed a rise in earnings for the December quarter to \$242m or 78 cents a share, from \$74m, or 22 cents a share,

on a 17 per cent gain in sales revenues to \$3.53bn.

However, the 1986 results were reduced by special charges of \$145m before tax to account for redundancies and restructuring of businesses. The 1987 results, announced on Wednesday, were below Wall Street's best expectations.

Yesterday Kodak stock, which has fallen from \$49 on anxieties about the high price paid for Sterling Drug, was trading at \$40 1/2 after falling \$3 to \$40 1/4 on Wednesday.

For the year, earnings more than tripled to \$1.18bn or \$3.62 a share on a 16 per cent rise in sales to \$11.55bn. Earnings in 1986 were \$374m or \$1.10 a share after special charges of \$520m.

Mr Colby Chandler, Kodak chairman, said he expected the Sterling Drug merger to "generate positive cash flow as early as 1989 and to contribute positively to Kodak earnings as quickly as 1990."

"We look for another year of vigorous growth in earnings from operations."

Last year had been an "outstanding year" because of big gains in volume and a 15 per cent improvement in productivity. In the imaging division, sales grew 15 per cent in the year and 17 per cent in the quarter, while chemicals revenues rose 9 per cent and 15 per cent.

Mr Chandler said Kodak had used the advantage of the low dollar "to increase marketing activity in critical regions. The significant benefits of this strategy more than offset the incremental costs."

(A) Restated to conform with 1987 presentation. (B) Includes the results of Dominion Centre Inc and Thomson-Lock, Company, Inc. which were acquired in August and October 1987, respectively, and are accounted for as poolings of interests.

Notice of Redemption

to the holders of

International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$8,732,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1988 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

Table containing a list of bond serial numbers, organized in columns. The numbers range from approximately 1738 to 1729 across the rows.

(Continued on the following page.)

INTL. COMPANIES AND FINANCE

NCSC suspends trading in Cumberland Credit

By Chris Sherwell in Sydney

TRADING WAS suspended yesterday in the shares of Cumberland Credit, the cash-rich Australian company which is subject of a dramatic tussle for control.

The move by the Australian Stock Exchange followed a notice from the National Companies and Securities Commission (NCSC), the share market watchdog agency, that trading should be halted because the market was not informed.

Cumberland Credit is currently the subject of a takeover bid by TNT, the transport company controlled by Sir Peter Abeles. Its main asset is cash reserves put at A\$200m (US\$140m).

Daihatsu pre-tax up 29% in first half

By Carla Rapoport in Tokyo

DAIHATSU, one of Japan's medium-sized vehicle manufacturers, yesterday reported a 29 per cent jump in pre-tax profits for the six months ended December, thanks to increased sales of its mini-cars.

The company said that sales for the period were up 7.2 per cent to Y283bn (\$2.83bn), while pre-tax profits hit Y5bn.

Kuwait Projects controls UGB

By Our Financial Staff

KUWAIT PROJECTS, a Kuwait investment firm, has acquired a majority stake in Bahrain-based United Gulf Bank (UGB) through a share swap offer.

Mr Samet said the company's board would propose to stop trading in UGB shares on the Kuwait stock market to save high registration fees.

The bank's chairman, Mr Ahmed Ali Kanoo, said earnings before debt provisions fell to BD10.9m, from BD11.4m in 1986.

Profits surge 41% at Showa Aluminum

By Our Tokyo Staff

SHOWA Aluminum boosted pre-tax profits 41.1 per cent in the year to last November thanks to the construction boom in Japan.

UK group wins Colly Farms battle

By Our Financial Staff

ANGLO-AMERICAN Agriculture (AAA), the British agricultural group, has won its battle for control of Colly Farms Cotton, the second largest Australian cotton producer.

AAA said yesterday it had received acceptances in excess of 50 per cent of Colly's share capital, for which it was offering A\$2.10 a share.

The 115-year-old newspaper has a daily circulation of about 112,000, Mr McDonald said, but is losing money.

Murdoch closes down Brisbane Telegraph

By Our Financial Staff

THE BRISBANE TELEGRAPH, an afternoon newspaper controlled by Mr Rupert Murdoch, the international publisher, is to close after its last edition is published today.

The announcement was made yesterday by Mr Keith McDonald, the chairman of Queensland Press, which publishes the 115-year-old newspaper, and which was acquired last year by Cruden Investments, Mr Murdoch's family company.

The Bristol Waterworks Company (Incorporated in England) Placing of £4,000,000 10.40 per cent. Redeemable Debenture Stock, 2002 at £100 per cent.

NOTICE OF PREPAYMENT Banco di Sicilia LONDON BRANCH US\$35,000,000 Negotiable Floating Rate Certificates of Deposit Due 20th September 1989

NOTICE TO WARRANTHOLDERS OF DAIKIN INDUSTRIES, LTD. U.S. \$100,000,000 2 1/4% Guaranteed Bonds 1992 with Warrants (the "Warrants")

20 & 21 JUNE 1988 TOM PETERS IN LONDON Send your business card and full details will be sent to you.

Brasilvest S.A. Net asset value as of 1st February, 1988 per CZ Share: \$7,103.50 per Depository Share: US\$9,562.98

NOTICE OF REDEMPTION AND FREE SHARE DISTRIBUTION To the Holders of AIDA ENGINEERING, LTD. U.S.\$20,000,000 5 1/4 per cent. Convertible Bonds Due 1996 (the "Bonds")

Bank Leu International Limited Nassau, Commonwealth of the Bahamas Notice to the Holders of Notes and Coupons, of Warrants and of Notes with Warrants under the 7 1/2% US\$ 40 million Guaranteed Notes due 1989

BankAmerica Corporation U.S. \$400,000,000 Floating Rate Subordinated Capital Notes Due 1997

Table of stock prices and financial data, including columns for company names and prices.

INTL. COMPANIES AND FINANCE

Bronfman savours victory on Martell estate

George Graham accompanies the management of Seagram on a visit to France's Cognac region



Edgar Bronfman Jr. did not expect to pay so much

MR EDGAR BRONFMAN Jr was beaming happily as he surveyed his new property in south-western France. "We didn't expect we would have to pay so much," he admitted.

of Martell's family chateau just outside Cognac. Mr Bronfman said the decision to buy Martell at around 35 times last year's earnings could not be justified on short-term financial grounds, but in the long term the fit between Seagram and Martell was perfect.

began to think about such an alliance when Guinness joined with Moët-Hennessy. "Everyone expected alliances on a planetary scale," he said. At that stage Martell formed a preliminary distribution agreement with GrandMet, but Mr Firino-Martell was unhappy about the way the agreement was being implemented.

distribution agreement with GrandMet remains one of the thorniest problems. Mr Firino-Martell said Mr Bronfman are under lawyers' orders not to comment. Other drinks marketing executives believe, however, that Martell will be able to arbitrate the agreement.

Nedlloyd adjusts terms of votes plan

By Our Financial Staff NEDLLOYD has adjusted the terms of its controversial statute change and rights issue in advance of next Friday's extraordinary shareholders' meeting.

Nedlloyd said its planned rights issue to four Dutch financial institutions, which effectively doubles group capital, would not create more than an extra 120 votes. In addition, the company said it would no longer seek to alter voting rules for future statute changes.

The Nedlloyd statement coincides with a concerted campaign by dissident shareholders, involving advertisements in newspapers, to stop the company going ahead with the statute and financial moves. A shareholders' meeting held on January 25 to approve the initial proposals failed to find the necessary quorum following a boycott by shareholders.

The boycott reflected the widely held view that the Nedlloyd plans, which were aimed at making the company effectively bid-proof, were in contravention of shareholder rights. Nedlloyd said it had now agreed with the institutions that the certificates it planned to issue would be non-convertible. The voting shares would be held by one single administrative office, holding all the votes.

Nedlloyd's dissident shareholders are led by Mr Torsten Hergen, a shipping consultant who heads a group of Norwegian investors controlling about 5 per cent of the Dutch shipping line.

For 1987 Nedlloyd suffered a loss of Fl 1bn write-down on its fleet and offshore rigs. The company made a net profit of Fl 71.6m in 1986, and has forecast a strong recovery for 1988.

BIG: Bank für Gemeinwirtschaft Aktiengesellschaft London Branch U.S. \$100,000,000 FLOATING RATE DEPOSIT NOTES 1992

Matra float five-times subscribed

By Paul Betts in Paris THE FLOTATION of Matra, the French defence and electronics group, was five-times subscribed, Mr Edouard Balladur, the French Finance Minister, said yesterday.

The privatisation of the group has thus turned out to be a success for the Government after fears that it might backfire as a result of the stock market crash. Matra was originally due to be sold off by the state three months ago, but the Government suspended the privatisation after the October stock market collapse.

But last month it decided to go ahead with the sale of its 50.97 per cent controlling stake to show, before the spring presidential election, its continuing commitment to privatisation.

Mr Balladur said that Matra was expected to have 300,000 shareholders as a result of the privatisation. This is double the Government's original target of 150,000.

The minister also said that subscriptions had been received equivalent to 18.2m Matra shares. Of this figure, 7.9m came from individual shareholders - double the number of shares on public offer. Moreover, 80 per cent of Matra parent company employees subscribed.

The quotation on the Paris bourse of Matra shares - which were offered by the state at FF110, valuing the company at FF2.15bn (\$383.4m) - is due to resume next Monday.

Writs threat in La Générale bid battle

By TIM DICKSON IN BRUSSELS

MR CARLO De Benedetti, the Italian entrepreneur whose bid to win control of Société Générale de Belgique has inspired a bitter battle for Belgium's most powerful company, announced yesterday that he will be taking legal action against those responsible for this week's hostile purchases of La Générale shares.

The latest legal twist came before the announcement that Compagnie Financière de Suez, the Paris-based financial holding company for the Suez banking group, had acquired a 10 per cent stake in the beleaguered institution.

Mr De Benedetti's legal action was to initiate a procedure called "Complaint against X" which involves an investigation by a Belgian judge and which, his camp says, could lead to criminal prosecution. The X means that it is up to the judge to identify those responsible but it is no secret that Ceres, Mr De Benedetti's Paris-based holding company which is masterminding his "off-bourse" purchases on Tuesday and Wednesday were illegal and that La Générale was itself involved. An spokesman for La Générale has denied this.

The intervention of Suez, with a 10 per cent stake, has brought a new player to the two-and-a-half-week old drama. Mr De Benedetti, who wants to establish a European financial and industrial empire based on La Générale, already controls directly or indirectly 18.6 per cent of the group and a formal offer for another 15 per cent. Mr André Leysen, the Flemish businessman whose Gevaert holding company is effectively controlled by the Belgian section of Paribas, the French investment bank, claims to be

willing with a group of institutions to subscribe for at least 10m of the 12m new shares to be issued by the La Générale board as a means of diluting Mr De Benedetti's stake. This last manoeuvre is the subject of a separate court case, the outcome of which will not be known until next Tuesday. The Brussels bourse, meanwhile, was less active yesterday than on Wednesday when new records were set both for volume in La Générale shares and for total market turnover. Even so, about 670,000 shares changed hands.

Carlsberg buys brewery in West Germany

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish brewer, has become the first foreign beer group to acquire a brewery in West Germany. It has bought the Hannen Brewery, in Mönchengladbach, from Deutsche Brau for an undisclosed sum.

The German brewery sells about 900,000 hectolitres of beer a year with a turnover of DM100m (\$59.5m). Carlsberg's beer sales last year were 16m hectolitres, of which 70 per cent was sold outside Denmark. Group turnover was DKR3.1bn (\$1.41bn).

The German acquisition marks another significant step in Carlsberg's international expansion. It also owns breweries in the UK, Italy, Spain, Turkey and Hong Kong.

KLM earnings increase 58% in third quarter

By OUR FINANCIAL STAFF

KLM, THE Dutch airline, yesterday reported a 58 per cent rise to Fl 57.5m (\$30.5m) in third-quarter earnings following an improvement from Fl 1.25bn to Fl 1.39bn in group income.

The company, which is 39.4 per cent owned by the Government, said it expected net earnings for the full year, ending March 1988, to be broadly maintained at last year's Fl 301m.

In the third quarter, KLM's planes were 71.4 per cent full against an industry average closer to 65 per cent. Last year, KLM had 68 per cent capacity.

However, the heavier load factor will not result in surging income for the year as a whole since margins are being squeezed by the weakness of the dollar. In the third quarter,

the guilder was 13 per cent higher against the dollar than a year earlier.

KLM's income from air traffic, at Fl 1.16bn, was 7 per cent higher in the third quarter. An Amsterdam analyst said yesterday that the income from traffic had risen more than expected and the growth of the load factor looked to have made up for rising fuel prices and the lower dollar.

Fuel costs rose, in guilders, by 13 per cent during the quarter. About 30 per cent of the airline's income comes from North American routes.

The company made a profit Fl 5.3m on the sale of fixed assets, against Fl 100,000 last year. Of the total gain, Fl 4.8m stemmed from the sale of a Sikorsky S-61 helicopter.

Oerlikon sales decline likely to continue

By John Wicks in Zurich

OERLIKON-BUEHRLE, the Swiss industrial group, has reported a decline in sales from SF4.66bn (\$3.4bn) to SF4.1bn for 1987. It says the result is unsatisfactory and sees no real improvement in the current year.

The company made a SF39.8m loss in 1987 and passed its dividend. There will be no dividend for 1987.

The parent company reports that more than half of the sales decline in 1987 was due to divestments.

While business in the civilian sector is said to have developed favourably "despite what were in part adverse conditions," Oerlikon was unable to meet sales and income targets in the military products field.

The Rank Organisation Plc

(Incorporated with limited liability in England under the Companies Act 1985)

NOTICE OF REDEMPTION

Notice to holders of Bonds ("the Bonds") representing the U.S.\$75,000,000 4 1/4 per cent Convertible Loan 1983 of The Rank Organisation Plc constituted by the Trust Deed referred to below.

NOTICE IS HEREBY GIVEN that pursuant to Paragraph 5(b) of the terms and conditions endorsed on the Bonds and paragraph 5(b) in the First Schedule to a Trust Deed dated 15th February 1973 (the "Principal Trust Deed") between (1) The Rank Organisation Plc ("the Company") and (2) Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) ("the Trustee") as Trustees for the Bondholders, the Company will on 5th May 1988 (the "Redemption Date") redeem all of the Bonds then outstanding at par plus accrued interest (in accordance with the provisions of the Principal Trust Deed and a supplemental trust deed dated 24th January 1983 between the Company, the Trustee and Rank Overseas Holdings Plc).

Dated 5th February 1988 By Order of the Board Registered Office: 6 Connaught Place, London W2 2EZ

NOTES (1) Payment will be made on the Redemption Date against surrender of Bonds or coupons at the offices (set out below) of the Paying Agents. Such payments will be made either in New York City in U.S. dollars or, at the option of the bearer, in London, Amsterdam, Frankfurt/Main or Luxembourg by transfer to a U.S. dollar account with, or by U.S. dollar cheque drawn on, a bank in New York City, subject in each case to any applicable fiscal or other laws or regulations of the United States of America or of the country of the Paying Agent concerned. Bonds should be presented for payment together with all unmailed coupons, failing which the face value of the missing unmailed coupons will be deducted from the principal amount due for payment. Amounts so deducted will be paid in the manner mentioned above against surrender of the relative missing coupons. No interest will accrue on the Bonds after the Redemption Date (unless upon due presentation payment of the principal is improperly withheld or refused).

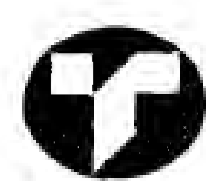
(2) In accordance with paragraph 4(a) of the conditions set out in the First Schedule to the Principal Trust Deed, the Bonds will remain convertible, at the option of the Bondholder, into Ordinary Shares of 25p each of the Company on the terms and conditions set out in the aforesaid paragraph 4 until two days before the Redemption Date.

PRINCIPAL PAYING AGENT National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2N 1EJ, England.

PAYING AGENTS Citibank, N.A., Pierson, Hellding & Pierson N.V., Heiengracht 214, Amsterdam, The Netherlands, Deutsche Bank Aktiengesellschaft, Stutgartenerstrasse 16-24, D-6336 Eschborn, West Germany.

NEW ISSUE

4th February, 1988



TOYO CONSTRUCTION CO., LTD.

U.S.\$50,000,000

5 per cent. Guaranteed Bonds 1993

with Warrants

to subscribe for shares of common stock of Toyo Construction Co., Ltd. Payments of principal of and interest on the Bonds being unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

- IBJ International Limited Sanwa International Limited New Japan Securities Europe Limited Credit Suisse First Boston Limited The Nikko Securities Co., (Europe) Ltd. Salomon Brothers International Limited Shearson Lehman Brothers International Swiss Bank Corporation International Limited Toyo Trust International Limited S.G. Warburg Securities Yamaichi International (Europe) Limited

NEW ISSUE

4th February, 1988



YUASA BATTERY CO., LTD.

U.S.\$50,000,000

5 per cent. Guaranteed Bonds due 1993

with Warrants

to subscribe for shares of common stock of Yuasa Battery Co., Ltd. The Bonds will be unconditionally and irrevocably guaranteed by

The Mitsui Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

- Mitsui Finance International Limited Mitsui Trust International Limited Swiss Bank Corporation International Limited Banque Paribas Capital Markets Limited Chase Investment Bank Daiwa Europe Limited Dresdner Bank Aktiengesellschaft KOKUSAI Europe Limited Kyowa Finance International Limited Leu Securities Limited Morgan Stanley International New Japan Securities Europe Limited Salomon Brothers International Limited Westdeutsche Landesbank Girozentrale

150 من الامل

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Eurosterling debut for Marks and Spencer

BY CLARE PEARSON

MARKS AND Spencer, one of only two British companies to have its debt awarded the finest credit rating by both US rating agencies, yesterday announced its debut in the Eurosterling market with a £150m five-year deal.

INTERNATIONAL BONDS

Yamaichi International Capital Markets (Europe), with Deutsche Bank Capital Markets as joint lead manager, led a \$160m deal for Calsonic Nationale des Telecommunications.

Japanese banks for Germany

THE JAPANESE Ministry of Finance is to allow three Japanese commercial banks to go ahead with plans to set up securities subsidiaries in West Germany, reports Reuters.

Tokyo is convinced foreign investors will return

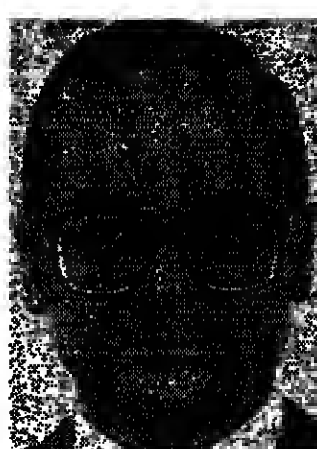
By Stephen Fisher and Ian Rodger in Tokyo

THIS MAY be the era of global markets and 24-hour continuous trading, but the perception gap between Tokyo and the rest of the world these days on the outlook for the Tokyo stock market could hardly be wider.

Rudloff castigates world's bankers

BY WILLIAM DALLFOURCE IN ZURICH

THE OVERSTAFFED, mismanaged banking industry, now contracting as fast as it had expanded, needs to return to fundamental principles and sound underwriting practices.



Hans-Joerg Rudloff banking industry needs return to fundamental principles

Abolition of Swiss stamp duty urged

A REPORT recommending that stamp duties on Swiss securities transactions should be abolished or eased will be submitted in the next few days to the country's Finance Department.

Bank Leu to reorganise Gutzwiller

BANK LEU will reorganise and change the name of Banque Gutzwiller, Kurz, Bungegger, its Geneva subsidiary, in order to co-ordinate capital market business more closely.

Sixth boom

Mr Michio Okawa of Nomura Securities, says: "I think this year will mark the start of the sixth foreign investment boom in the Tokyo stock market."

Bank Leu to reorganise Gutzwiller

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FT INTERNATIONAL BOND SERVICE

Table with columns for Bond Name, Issued, Maturity, Coupon, Yield, and Price. Includes sections for US DOLLAR, STRAIGHTS, CONVERTIBLES, and various international bonds.

Other news snippets

Various short news items including 'Sixth boom', 'Buoyant outlook', and 'Last month, for example, the IMF changed the accounting rules for some big institutional investors'.

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Advertisement for SanKen U.S. \$100,000,000 5 per cent. Guaranteed Bonds 1993 with Warrants. Includes contact information for The Saitama Bank, Ltd. and various international financial institutions.

Handwritten Arabic text: سكو من الأصل

UK COMPANY NEWS

BP to expand in US with £142m offer for Lear

BY STEVEN BUTLER

British Petroleum is moving to expand its downstream natural gas operation in the US with a \$250m (£142m) offer to acquire Lear Petroleum, the financially troubled gas distribution company based in Dallas.

The acquisition, if successful, would be BP's biggest expansionary move in the US since BP completed its acquisition of Standard Oil last summer. BP had earlier identified natural gas as a possible area of expansion in the US.

Lear has a natural gas collection and transmission systems in Kansas, Louisiana, Mississippi, Oklahoma, and Texas, but lacks its own reserves. The company was hit last year when several of its customers withheld the transmission of natural gas because of depressed prices, and is in the midst of a complex financial restructuring.

BP produces natural gas in the area, although it has distribution facilities of its own. BP is offering \$2.66 per share in cash, with the offer conditional on two-thirds of the holders of outstanding Lear preferred stock approving an amendment to the terms of

Hodgson buys four more undertakers

By Dominique Jackson

Hodgson Holdings, USM-quoted funeral director, is pursuing its aggressive acquisition policy with the purchase of four undertakers for a total cash consideration of £1.53m.

Mr Howard Hodgson, chairman, said the company was contemplating a return to the City to raise finance for projected larger deals with a rights issue as one possibility.

The latest batch of acquisitions are Hemley Funeral Services of Watford, Taylors Funerals of the Wirral, H H Gray of London and Somerset-based Weston Funeral Services with combined total assets of £176,000.

The acquisitions will add around 1,250 extra funerals annually, taking the Hodgson yearly total to more than 29,000.

The company has made eight purchases in the current year and Mr Hodgson said another 20 were in the pipeline. These were expected to take the total cost of acquisitions this year to around £5m. Hodgson is now the UK's second largest funeral director after the Co-op.

Dennis Amlia, former Warwickshire and England cricketer, has just been appointed director of acquisitions, research and public relations, heading a team working on the longer term development of the company.

BRITTOIL BID NOT TO BE REFERRED

British Petroleum's \$2.5bn bid for Britoil, the independent oil company, yesterday passed an important hurdle when the Secretary of State for Trade and Industry announced the decision not to refer the proposed acquisition to the Monopolies and Mergers Commission, writes Steven Butler.

The market reacted strongly to the news, and Britoil's shares rose 18p to close at 496p, just shy of the 500p-per-share offer price.

BP has acquired 54 per cent of Britoil shares, the stock.

BP is proposing that holders of the preferred shares relinquish their rights to dividends in arrears and allow the stock to be redeemed at \$6 per share. The offer is also conditional on BP being able to purchase at least \$100m of Lear's outstanding at an 18 per cent discount. This would be accomplished either through an open market purchase or through a tender offer.

Arco claims victory in Tricentrol bid tussle

Atlantic Richfield, US oil company, yesterday claimed victory in its recommended bid for Tricentrol, the UK independent oil company currently subject to a rival bid from Elf Aquitaine, the French oil group.

Arco said it had lifted its holding in Tricentrol to 54 per cent, and that its offer of 200p per share would soon be declared unconditional.

Elf said it would allow its 160p-per-share bid to lapse. It said that 180p had been the maximum price it was willing to offer for Tricentrol.

Mr Lodwick Cook, Arco chairman, yesterday said the group had pushed up its bid to

although it does not yet have control over the company due to the Government's special share, which comes into effect during takeover situations.

BP is scheduled to meet with the Treasury today to discuss how the government plans to use the share. A meeting between Britoil and the Treasury took place yesterday afternoon.

BP is still advising shareholders not to accept the BP offer, attracting a still better price.

Lear would operate as a separate, wholly owned subsidiary of BP America.

The KIO said yesterday that it had continued its buying of BP shares and now holds a 18.91 per cent stake in the company. It said it acquired 2m partly-paid shares at 76p each.

The Office of Fair Trading last month said it was considering whether the building of the KIO stake in BP warranted further investigation.

Strong recovery by TSL

BY NIGEL CLARK

TSL Group recovered strongly in the second half remaining to the bid, with a pre-tax profit of £136,000 for the year to the end of October 1987.

However, after extraordinary debits of £402,000 (£37,000 credits) there was a loss for the year of £266,000 against a profit last time of £442,000. Most of the extraordinary debits related to the costs of closures in the US and the Cumberland factory of TSL Semicon in the second half.

Directors of this Tyne and Wear-based maker of vitreous silica are proposing a return to the dividend lists with a final of 0.73p. The last payment was an interim for 1985/6.

Mr William Wilkinson, chairman, said that TSL was in a position to consolidate the achievements of the second half and to enjoy a period of more sustained growth.

200p in order to win endorsement of the Tricentrol board so that the transfer of its operations to Arco could be accomplished in a more orderly manner. The higher bid also made it easier to avoid any possible protracted contest with Elf for control of the company.

Mr Cook confirmed that Arco remained interested in further expanding its asset base in the North Sea, although he said Arco had no specific plans or targets in mind. The Tricentrol acquisition is part of a broader effort by Arco to reduce its 90 per cent dependency on US reserves of oil and gas.

The shares closed at 88p, a gain of 15p on the day.

After first half losses of \$502,000 the company reported pre-tax profits of \$638,000 (\$508,000) for the second six months to leave the full-year figure at £136,000, against £577,000 last time.

Turnover for the year fell from £18.35m to £18.7m. Earnings per share came out at 0.53p (3.96p).

Mr Derek Foord, finance director, said most of the improvement was achieved in the UK. It was the result of management changes, the concentration on profitable activities and reduction in costs.

For the future Mr Wilkinson said that the semiconductor industry was showing signs of an upturn. He added that trading for the first quarter of the present year had been encouraging, whereas the comparable period last year had seen substantial losses.

Raymond Snoddy on a busy time for Andrew Lloyd Webber's musical company Phantom guard for Really Useful profits

EVEN BY show business standards it has been a spectacular few weeks for the Really Useful Group, the company set up to exploit the musical creations of Mr Andrew Lloyd Webber.

First there were the acres of headlines generated by Prince Edward's announcement that he was joining Mr Lloyd Webber's Really Useful Theatre Company as a production assistant.

Then, with more direct relevance for the balance sheet, a production of Starlight Express opened in Sydney in time for the bicentennial celebrations. After a five-week run the production will move on to Brisbane, Melbourne, Adelaide and Perth.

The same production of Starlight, the musical featuring dancers on roller skates imitating trainees just completed a seven-week season in Japan. It played to capacity audiences of 8,500 a performance and grossed \$20m (£11.26m).

But the dazzling crescendo of publicity came just completed in New York when the barriers went up outside the Majestic Theatre on Broadway to keep back the onlookers as the limousines delivered the audience for the opening night of Phantom of the Opera.

Although there was tartness as well as praise in many of the reviews, this was considerably offset by the large advance and record advance bookings of \$18m and certainty that Lloyd Webber had produced another hit that will be creating royalties for years.

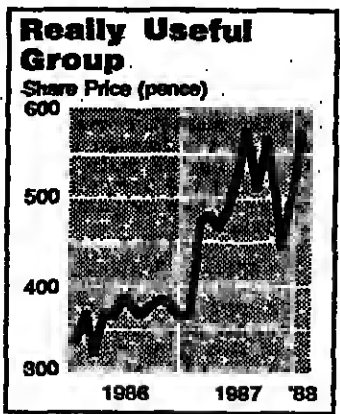
The musical's activity on stage has been partly reflected by the performance of the Really Useful Group's share price which recently was hovering at 602p compared with the 1987 peak of 517p - as if stock market crashes stop at the floor of the theatre.

"There is a special phenomenon on this stock. It tends to move up ahead of the opening of a major production," explained Mr Jeffrey Harwood, leisure analyst of Phillips and Drew, stockbrokers to the Really Useful Group.

The price rose by 17 per cent in the three-week period before Phantom opened, and almost as soon as the first night party was over, the price starting drifting down, probably because of a mixture of profit-taking and the sharper barbs of Mr Frank Rich, theatre critic of the New York Times.

By yesterday it had slipped to 566p, and is probably still at a premium to the market. The present price compares with the tender price of 330p two years ago when it became the first theatrical production company on the London stock exchange.

In the year to June 1987 the company announced pre-tax profits of £5.75m, a 38 per cent rise, on turnover of £21.71m. This year the rate of profit increase is likely to slow down, with Phillips and Drew forecasting £6.1m - the result of the growing size of the company



and the cyclical life of productions.

Rather like the exploitation of North Sea oil fields, the flow of profits from Cass, which has accounted for the largest slice of earnings in the past few years, may be beginning to pass its peak and the main profit stream from Phantom has yet to come. The New York production, which cost \$2m to mount, should start paying its way after 54 to 60 weeks.

To Mr Brian Broly, managing director of the Really Useful Group, the world is still full of opportunities to exploit the life and works of Andrew Lloyd Webber. His ambition is to put together a fully-fledged communication and creative company.

Cass, based on the T.S. Eliot poems, has been a hit everywhere from Finland and Holland to Japan and Canada and will open in South America next year. Starlight Express is also still rolling out around the world and Mr Broly would like to see an arena version tour America, possibly financed by Japanese money.

The Phantom of the Opera is just beginning its odyssey. After London and New York, where Mr Broly believes a five-year run is on the cards, the musical will open in Tokyo in April, Vienna in November and in West Germany in spring 1988.

Lloyd Webber still accounts for 85 per cent of the company's earnings. But Ms Jessica Reif, leisure analyst with New York stockbrokers Arnold S. Bleichroeder says: "Even if Andrew Lloyd Webber never wrote another note, there would still be increasing earnings for several years."

She approves of the way the company is investing earnings in related activities, although



Michael Crawford and Sarah Brightman, stars of Phantom of the Opera: advance bookings are a record \$18m

able wishes more shares were available.

So far there have been diversifications into publishing, through the purchase of Arnum Press, a specialist publisher, and a move into electronic information through a stake in Interactive Information Systems, a company involved in the production of interactive video discs. There is also a Really Useful Record Company and a Really Useful Picture Company, which makes television commercials and corporate videos and had billings of £1m in its first year.

Mr Broly, who was once executive assistant to the director-general of RTE, the Irish national broadcasting organisation, is also planning a major move into broadcasting. Really Useful, together with Red Rose Radio, a Lancashire commercial radio company, intends to apply for one of the national commercial radio licences likely to be on offer

from 1990. Mr Broly is also looking at ways of getting independent television production following the Government's insistence that independent channels should have access to 25 per cent of Britain's four national television channels. The company also intends to apply for an ITV franchise when current franchises run out in 1992.

To stockbrokers such as Mr Peter Hillier, leisure analyst at BZW, the diversification is important. There will always be, he believes, an element of suspicion in the City about a company so dependent on the activities of one man.

"The golden seam could run out, although it doesn't seem to," said Mr Hillier. Investors and theatre-goers will be able to judge the quality of the golden seam at the end of this year when the Really Useful Group is due to present Mr Lloyd Webber's latest creation, Aspects of Love.

C H Bailey in six-fold profit jump halfway

By David Walker

C H Bailey, the controversial ship repairer and portfolio investor, yesterday reported a near six-fold increase in pre-tax profits to £681,000 for the 28 weeks to October 9. This was achieved on turnover down \$316,000 to \$3.29m.

No breakdown of the profits was available, nor would Mr Christopher Bailey, the chairman, make any comment on the figures. However the company said that profits in the first half were made principally from the sale of investments.

The company said that it would report a profit in the second half, despite having to make substantial provisions for the effect of the stock-market crash on its investment portfolio.

The company paid no tax, and - in accordance with its standard practice - is paying no dividend. Its share of losses of associated companies was £23,000 (£54,000) meaning that the attributable profit was £658,000 (£65,000) and earnings per share worked out at 1.06p (0.11p).

Recovering Aaronson hits £5.58m

BY ANDREW HILL

Aaronson Brothers, manufacturer of chipboard and plastic fittings, nearly tripled pre-tax profits to £5.58m for the year to September 30 1987, compared with £1.92m for 1986/7.

The company has recovered from the adverse effects of high UK timber prices and a strong pound which resulted in a 43 per cent downturn in pre-tax profits in 1986.

Turnover was up by 21 per cent to £107m (£88.5m) and earnings per share more than tripled to 12.23p (3.7p), helped by a tax rate down from around 29 per cent to 19 per cent.

The figures included an extraordinary debit of £1.2m. Part of the item related to the closure of a discontinued product line and the rest - about £1m - was a provision against short-term losses at a veneer factory being set up in Nigeria. Aaronson owns around 11.25 per cent of the plant.

Plastic products, which include bathroom fittings and accessories, contributed record profits and turnover and the retail products division recorded improved results for the year, although the figures of the group's subsidiary in the Irish Republic were unsatisfactory, due to difficult trading conditions.

Distribution had another disappointing year, because most of the major DIY stores were now supplied direct from Aaronson's factories. The group has not ruled out the possibility of selling the division to a friendly buyer who would continue to buy company products.

The directors propose a final dividend of 3.75p (3p) making a total of 5.45p (4.2p) for the year. The company has changed its accounting policy to give a fairer presentation of currency gains and losses. The figures for 1986/7 were adjusted to allow comparison on a like-to-like basis.

● **Company**
A company that supplies mainly to the no-nonsense DIY fraternity doesn't really need to change its image, but Aaronson's directors say they are becoming more and more fashion-conscious. Their shelves are now available in pink and blue as well as the usual whites and greys, their bathroom products now range from shower caddies to toothbrush holders. This diversification is more than just veneer, however, it reduces the company's vulnerability to currency fluctuations, which don't always favour Aaronson as much as they did last year.

Woolworth has 71.8% of Tip Top

By Andrew Hill

Woolworth Holdings, the retail group, announced yesterday that its offer to buy Tip Top Dragstore had become unconditional.

By 11.30am on February 3 valid acceptances of the offer had been received representing 71.83 per cent of the shares. This included 71.4 per cent pledged at the time of the offer two weeks ago by the directors of the company and their families.

Woolworth may apply to acquire the outstanding Tip Top shares compulsorily.

Holdings of only 0.27 per cent of the ordinary shares accepted the cash offer, the rest taking the alternative of convertible unsecured loan stock.

● **J Rothschild buy-in**
J Rothschild Holdings, investment group, has bought a further 250,000 of its ordinary shares, as part of a long-term buying programme. The issued share capital will now be 289m shares.

This announcement appears as a matter of record only.

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Tender Panel Members

The Bank of Yokohama, Ltd.	Baring Brothers & Co., Limited
Credito Italiano London Branch	Daiwa Europe Bank plc
Hill Samuel & Co. Limited	Kleinwort Benson Limited
Morgan Grenfell & Co. Limited	N M Rothschild & Sons Limited
Swiss Bank Corporation	TSB England & Wales plc

January, 1988

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(Incorporated in the Republic of South Africa)
An Anglovaal Group Company
Reg. No. 55/02414/06

Interim report for the half-year ended
31 December 1987

FINANCIAL RESULTS
The unaudited financial results of the Company for the above period are as follows:

	Half-year ended 31 December	Year ended 30 June
	1987 R000	1986 R000
Turnover	13 831	13 287
Income from fixed investment	13 802	13 200
Interest received	24	37
Share dealing profit	5	50
Expenditure	13 831	13 287
Profit	13 577	13 076
Earnings per share	18.4 cents	10.0 cents

No taxation is payable as the Company has an assessed loss for tax purposes.

DIVIDENDS PAID OR DECLARED DURING THE HALF-YEAR
Final ordinary dividend No. 30 of 13.5 cents per share amounting to R17 577 000 for the year ended 30 June 1987 (1986: 11.0 cents, amounting to R14 322 000) was declared in June 1987 and paid on 31 July 1987. Interim ordinary dividend No. 31 of 10.6 cents amounting to R13 002 000 for the half-year ended 31 December 1987 (1986: 10.0 cents, amounting to R13 020 000) was declared in December 1987 and is payable on or about 12 February 1988.

INVESTMENTS
The market value of the Company's holding of 22 000 000 shares in Harborside Investment Company Limited was R21 500 000 at 31 December 1987 (1986: R21 500 000) compared with a book value of R20 900 000 (1986: R20 900 000).
The market value of the Company's other listed shares at 31 December 1987 was R2 600 000 (1986: R2 959 000) and their book value was R443 000 (1986: R312 000).
The number of shares in issue at 31 December 1987 amounted to 130 202 850 with a net asset value of 490 cents per share.

For and on behalf of the board
D. J. Crowe Chairman
R. A. D. Wilson
Directors

Registered Office
Anglovaal House
56 Main Street
Johannesburg 2001
4 February 1988

London Secretaries
Anglo-Transvaal Trustees Limited
79 Regent Street
London W1R 8ST

Directors:
D. J. Crowe (Chairman) (British), P. J. Eustace, M. D. Hanson,
B. E. Hervey D.S.O., K. M. Mooking, C. S. S. M. P. M. T. L. Pringovius,
R. A. D. Wilson, Alternate director: P. J. S. Reid.

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Group of Companies

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The Hongkong and Shanghai Banking Corporation
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Crédit Commercial de France London Branch
The Sumitomo Bank, Limited

Agents
Samuel Montagu & Co. Limited

January, 1988

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Some Recent Transactions

Speyhawk Mount Row Ltd	£13,800,000	Acquisition Finance	Navigation House
London & Paris Management Ltd	£11,500,000	Acquisition Finance	York House
Rush & Tompkins Group plc	£10,000,000	Construction Loan	Hough and Dover Wharves
Citygrove plc	£10,500,000	Construction Loan	Retail Warehouse Northampton
Rivlin plc	£49,000,000	Short and Medium Term Financing	
<small>Funds provided by:</small> Citibank, N.A. Midland Bank plc National Westminster Bank PLC The Royal Bank of Scotland plc <small>Co-ordinating bank</small> Citibank, N.A.			
Skillion plc	£11,000,000	Term Loan	Acquisition of London business centres
Randsworth Trust plc	£13,000,000	Construction Loan	Wilson Street and Worship Street
Regentcrest plc	£26,000,000	Term Loan	Portfolio Purchase
Sheraton Securities International plc	£17,200,000	Construction Loan	29/36 Sackville Street
Bredero Properties Plc	£45,000,000	10 Year Construction and Term Loan	The Bon Accord Centre, Aberdeen

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UK COMPANY NEWS

Drayton Japan in split level move

BY NICK TAIT

Drayton Japan, the £250m investment trust in which New Jersey-based AJS Partners has built up a 27 per cent stake, yesterday proposed turning itself into a split level trust in an effort to reduce substantially the difference between the trust's share price and its underlying net assets.

Drayton Japan, part of the MIM stable of trusts and chaired by Lord Stevens, was widely expected to produce some discount-erasing scheme in response to agitation from the AJS camp.

AJS emerged with a disclosure holding in the MIM trust last November and initially suggested making a recommended offer. When that was turned down by the DJ board, the US partnership added to its holding and, in December, requested an extraordinary meeting at which it hoped to prod the trust management into discount-eliminating action. The date of the meeting has already been set for March 2.

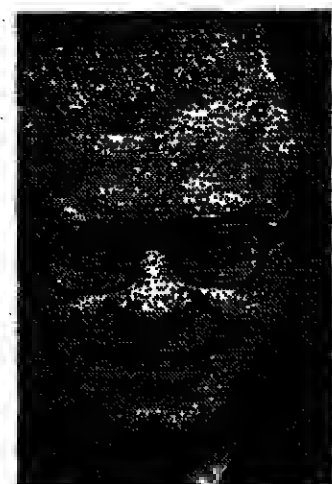
Yesterday, Drayton Japan's management said it had considered a number of options for

the future of the trust, including liquidation, and unification. But pointing to the relative success of recent similar "split level" reconstructions, they claim that this represents the best option.

Yesterday, only the outlines of the planned reconstruction were available; full documents are due to be issued next week.

Broadly, the plan is to fix a 10-year life on the trust and then offer shareholders three types of new shares - in roughly equal proportions - in exchange for their existing single class shares. These comprise:

- Preferred capital shares, which will be entitled to a fixed capital return on winding-up - effectively a zero-dividend share.
- Dividend shares, which will be entitled to all the net revenue of the company, with quarterly pay-outs. Unlike most other split-level income shares, there will be virtually no capital entitlement.
- Capital growth shares, which enjoy all the surplus capital increase which the manage-



Lord Stevens: investment policy to be radically changed

growth share at any time prior to the winding-up date of the company.

As usual, the proposals envisage offering shareholders a "mix and match" selection, and existing preference stock would be repaid at par.

The investment policy of the trust will be radically changed - switching from the predominant Japanese holdings to a "strong UK bias".

Yesterday's announcement follows meetings between major shareholders - including the AJS camp - and Drayton Japan. According to AJS advisers, Kleinwort Benson, the proposals are still being studied, and Mr Andrew Shechtel, AJS' managing general partner, is currently in London.

Since implementing a reconstruction would require approval from 75 per cent of DJ's voting shareholders, AJS would be able to block any scheme it disliked. MIM itself, however, has countered by acquiring just over 25 per cent of the trust's votes, and is in a similar position.

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Market fall hits Framlington

THE STOCK market crash last October hit the interim results of Framlington Group, where for the half year ended December 31 pre-tax profits fell from £2.7m to £2.27m.

The result includes a loss incurred on the launch of Framlington Smaller Companies Trust. Although the fund took £6.1m on its launch, that fell far short of expectations and was insufficient to cover the substantial marketing costs involved, the directors said.

Results also reflect realised losses on the £2m unit trust stocks held at the time of the crash.

The interim dividend is being maintained, however, at 1p. The 26p shares were subdivided into 5p shares last October.

Although management fees were high during the first half of the period, they reduced sharply during the second quarter in line with the lower value of funds under management, directors said. At end-December

total funds under management were £1.55bn (£1.5bn).

Turnover for the group, an investment holding company which is mainly involved in unit trust administration and investment management, improved by 12 per cent to £58.92m (£52.58m).

Gross profits rose by £2m to £7.98m but operating profits came through lower at £1.8m (£2.2m). The pre-tax result was struck after an increase in investment and other income from £434,000 to £540,000, and higher interest payable of £153,000 (£100,000).

Tax took less at £768,000 (£1.02m) and after minorities of £20,000 (£4,000) earnings per share fell from 5.5p to 4.4p basic, and fully diluted, to 4p (5.4p).

sector to report figures for a period straddling Black Monday. One of the more aggressive fund managers, it is hardly surprising that the crash hit it badly, and a near-halving in its share price from its pre-crash peak reflects less than refugent trading prospects. For a start, income from non-retail fund management is directly tied to portfolio values and in a bear market a greater proportion of the commission generated from unit trusts will have to be ceded to intermediaries, given that advertising campaigns pitched directly at the investor become prohibitively expensive. Hence brokers expect Framlington to make but £4.25m in the full year, against £6.47m last year. Down to 140p yesterday, the shares are on a prospective p/e of 20. This would appear absurdly high, but is explained by the market's belief that Credit Commercial de France's "loose" 24 per cent stake is tempting generous offers from would-be buyers.

Scottish Heritable expands in US

Scottish Heritable, the industrial conglomerate which owns Standard Fireworks, is expanding its oriental rug business with the acquisition of Kourti's Inc, an oriental rug renovator and carpet washer based in Poughkeepsie, New York.

Total consideration for the acquisition is \$1.45m (£823,000) subject to warranted profits of \$290,000 for 1988, compared with \$650,000 achieved in 1987. The company says the acquisition will enhance the position of Eastern Kayam O.C.M., a Scottish Heritable subsidiary, as one of the leading distributors of oriental carpets.

St Paul declares £400m Minet bid unconditional

MINNESOTA-BASED St Paul Companies, the US property/ casualty insurance group, said it had completed for the time being its construction of an insurance broking network, after declaring unconditional yesterday its bid for Lloyd's broker Minet Holdings.

St Paul made an agreed 475p per share cash bid valuing Minet at about £400m on December 10.

Mr Douglas Leatherdale, a St Paul executive vice-president, said the group now owned 26 per cent of Minet's shares and had acceptance of the offer in respect of another 98 per cent. That includes the 29.9 per cent stake owned by New

York-based Corroon & Black, another insurance broker. Mr Leatherdale said, Corroon has agreed to tender its shares to St Paul.

Yesterday's announcement followed news on Wednesday that both the Department of Trade and Industry and the ruling Council of Lloyd's of London, the insurance market, had cleared the proposed acquisition.

Mr Leatherdale said that while St Paul had no immediate broking acquisition plans, it "would expect the Minet organisation to grow. We have pledged them financial support to do that profitably."

Reckitt pulls out of wine

Reckitt & Colman, the international food, drug and toiletries group, has sold its Australian wine operation to a local management buyout group for A\$39.6m (£15.9m).

The sale is the last of Reckitt's wine operations. It is part of a rationalisation programme intended to lead to a concentration on the group's core businesses.

Last week Reckitt sold its UK wine business, whose brands include Veuve du Vernay and Mousse, to Hedges & Butler, the Bass subsidiary for an undisclosed sum. Other wine businesses in the US and Canada have also been sold.

Reckitt's Australian wine operation, called G. Gramp and Sons, trades under the brand name of Orlando Wines and was bought in 1970. With annual sales in 1987 of A\$97.7m and profit before tax of A\$29.6m it is one of Australia's big four wine companies, along with Penfolds, Lindemans and Hardy's.

The disposal is to a consortium led by Mr Chris Roberts, previously a director of Reckitt and Colman Australia and hitherto managing director of its Australian household products division.

The terms of the disposal are A\$18.4m for the share capital of G. Gramp and the settlement of the interest free intra-group loan of A\$21.2m. After deduction of total debt of A\$29.6m, including third party debt of A\$8.4m the value of the net assets sold are estimated at A\$16.2m.

The buyout is receiving financial backing from the South Australian state government and is significant domestically because it returns Orlando to South Australian control.

Debut set for mining group

Broker Smith New Court, in association with Noble and Co, has placed 10m ordinary shares in a new UK mining finance company, Waverley Mining Finance, at 80p a share.

Each unit of five shares will qualify for a warrant to subscribe for one additional share at 80p up to 1992.

London Stock Exchange dealings in the new company, which is backed by the Edinburgh-based Waverley Asset Management investment concern, are expected to begin next Monday.

The new company aims to achieve capital growth from a closed-end portfolio of investments mainly in gold mining companies.

Phoenix Properties shares suspended

Trading in shares of Phoenix Properties and Finance were temporarily suspended early yesterday pending an announcement by the company.

No one at the property dealing and management group was available to comment on the suspension.

Blue Circle/Birmid

Blue Circle yesterday bought 1.5 per cent of Birmid Quilcast, taking its stake to 37.5 per cent.

Blue Circle now owns or has received acceptances from holders of 58.3 per cent of Birmid, which is fighting its £275m bid.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings usually take place for the purpose of considering dividends. Official notices are not available as to whether the decisions are interim or final and the supervisors' notes below are based mainly on last year's timetable.

FUTURE DATES

Philip Gilford Ltd	Feb 29
Agip	Feb 29
Kennedy Brookes	Feb 29
Newport Television	Feb 29
Shireley	Feb 29
Treasury Investments Trust	Feb 29

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Aaronson Bros	3.75	Apr 7	3	5.45	4.2
Drayton Japan	4.2	-	1.06	4.2	1.06
Framlington	1	Mar 16	1	-	2.8
Mid Wynd Int	1.5	-	1.2	-	2.9
SSL	0.73	Apr 1	0.73	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. Unquoted stock. Third market.

Aaronson Bros. PLC

Record profits - future confidence

Preliminary Results

Year ended 30th September 1987		1987	1986
		£000	£000
Turnover	107,070	88,546	
Profit before taxation	5,578	1,919	
Profit after taxation	4,445	1,385	
Dividend per ordinary share	5.45p	4.20p	
Earnings per ordinary share	12.23p	3.70p	

Results

Net profit before taxation on ordinary activities for the year under review was £5,578,000 compared with £1,919,000 for the previous year. Earnings per share rose by over 230 per cent to 12.23 pence (1986:3.70 pence). These results are in line with expectations at the time of the interim announcement and the Board is proposing a final dividend of 3.75 pence (net) per ordinary share, payable on 7th April 1988, making a total dividend for the year of 5.45 pence (net) per share compared with 4.2 pence per share for last year. This represents an increase of approximately 30 per cent.

Prospects

During the first three months of the current year turnover has continued at levels similar to those in the corresponding period in the year under review. Turnover increased during January and given the fuller utilization of new plant and the continuation of current trading conditions, the Board is looking to the future with confidence.

Aaronson Bros. PLC, Aro House, 18-19 Long Lane, London EC1A 9NT



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February 1988

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A mandate to manoeuvre in any direction

Peter Scott, a man of robust views, explains to Andrew Baxter why his understanding of technology and tenacity of execution led him to take on the challenge of running Emhart

THREE DAYS after the Black Monday stock-market crash, a somewhat chastened group of City analysts gathered in a Kleinwort Benson banqueting suite. This was going to be a tough audience.

The thought of addressing such a gathering, let alone encouraging them to buy shares at such a time, would be enough to turn the average US chief executive's grey hair prematurely white.

Even Peter Scott, chairman and chief executive of Emhart, admitted that he had considered postponing his visit. But that would have been out of character for a man who relishes doing out a few home truths from behind a genial countenance. Some of the pithiest are collected by the ever-efficient Emhart publicity machine and repackaged in a handy booklet.

On managers: "There are basically three kinds of managers: those who come to work and wonder what's happening; those who come to work to watch things happen; and those who come to work to make things happen."

On technology: "The real problem is not whether machines think, but whether men do."

On short-termism: "I know all about the tyranny of quarterly results - artificially imposed by the same professional money managers who urge that we embrace technology and rebuild all our plants - tomorrow."

Scott, 60, was in London some two years after a surprising career switch which brought him to the chairman's office at Farmington, Connecticut, headquarters of Emhart's \$2.3bn worldwide consumer and industrial products empire.

A Yale-educated electrical engineer, he had founded two successful electronics businesses before a spell with an NCR subsidiary. Then came eight years at Harry Gray's United Technologies, where his responsibilities included semiconductors and microelectronics technology research.

INSIDE THE EDGE

Like some other UT executives, he was seen as a possible successor to the feisty Gray, but eventually left amicably in 1983 to set up a private technology venture capital group, believing then that his career with public companies was over.

The directors at Emhart, meanwhile, were worried men. True, their company was not in any danger but growth had been sluggish - tracking but not exceeding the expansion of US GNP. Breaking out of this pattern, they concluded, could not be achieved with the existing product mix, and its heavy reliance on struggling industrial equipment markets suggested problems ahead.

The problem was to find a chief executive with the understanding of technology required for such a change of emphasis, combined with the tenacity to see it through. The board thought Scott was the man for the job. Scott decided it might be a lot of fun and took up the challenge in December 1985.

He spent his first eight months visiting Emhart plants worldwide in an attempt to grasp its strengths and weaknesses. Given its enormous product range at the time - everything from True Temper golf shafts and Bostik sealants to machine tools and shoemaking equipment - this was an understandably difficult task.

The result of Scott's tour was a series of decisions on "things we had to do first before going for growth." Coupled with this, Emhart for the first time publicly stated its aims and targets. "You've

got to step out and say this is what we think we can do, and then set about doing it," he says.

The nub of the first stage of Scott's plan was a restructuring programme, now all but complete, involving the disposal of 18 business units with revenues of \$265m but annual operating profits of just \$3m.

At the same time, a series of acquisitions was planned, both to expand the higher growth consumer products side and establish a strong position in computer services. Last month Emhart made its largest bid so far, a \$600m hostile offer for the Stansadyne plumbing and vehicle parts group, also of Connecticut. Scott saw this as an important step towards achieving his target of \$3.6bn in revenues by 1990, but Stansadyne had other ideas, agreeing this week to a \$800m bid from Forstmann Little, the US investment group.

As important have been the changes within those parts of the company that remained. With no allegiance to any one of what was then five somewhat disparate industrial segments, and backed by the board's desire for him to take the company in whatever direction he saw fit to achieve higher growth, he had considerable freedom of movement.

"I'm new to the company. I can do what I damn want," he says, although he quickly denies being ruthless. Even so, some 1,500 out of 30,000 jobs will have been cut by the end of the current quarter, excluding the businesses being sold.

For the employees that remain, Scott has laid down three-year financial objectives linked to growth targets, and for the first time at Emhart tied a significant portion of senior management's pay to attainment of the objectives. "I consider a business plan to be a contract, and the only breach to it is force majeure," he says.

The aim is to foster a sense of entrepreneurialism, often difficult in a large, amor-



phous company. "Put in front of them that growth is a matter of personal gain and it becomes exciting for them."

As part of this process the corporate structure has been slimmed down to three segments, industrial, consumer and IES (information and electronic systems). The aim is to make the company more understandable, both to employees and Wall Street, but also to reduce bureaucracy. "I have never felt that the organisation chart is an important part of business - and I won't put up with memos," he says.

Capturing Stansadyne would essentially have completed Emhart's acquisition programme in the short-term, and the search for a big acquisition in consumer products may have to begin afresh.

Scott's most ambitious move, however, has been the creation of the IES division, based around Planning Research Corporation, a computer and technical services concern bought in 1986 for \$210m, and Advanced Technology, another computer services group bought for \$140m in a deal completed this month.

The new "third leg" will report directly to Scott, and he will inevitably be identified with its success or otherwise. But he has never had any doubts about the need for US industry to take such risks: "Our problems, basically, stem from our myopia about technology... our fear of taking risks... of diversifying. We're comfortable - too comfortable - in the sanctuary of the status quo... and then it's too late."

"SHE'S A nanny, mentor, bully, chief executive officer."

The words did not come from one of Margaret Thatcher's awe-struck ministers. They came from a manager in a large international organisation. He was talking about his secretary.

Another manager recalled that he once had a secretary who frightened him so much that he would drive up and down the motorway rather than return to his office.

The managers were speaking at a seminar in Cambridge last week at which bosses and their secretaries talked about their often fraught relationship.

Seven secretaries, all women, attended the seminar, which was organised by Employment Relations, a Cambridge-based management consultancy attached to accountants Arthur Young. The secretaries were accompanied by their managers. The organisations represented included manufacturing companies, a building society and a firm of accountants.

The manager/secretary relationship is an intensely personal one, Elaine Fear, a director of Employment Relations, told the seminar.

She added that although much time has been spent examining ways of managing organisations more effectively, little thought has been given to the way companies can make the most of their secretaries.

Fear began by dividing the seminar into two groups, one of secretaries and one of managers, to discuss some of the problems that they have with one another.

The secretaries began by complaining that their managers expected them to perform miracles on their word processors and other hi-tech machines. They thought managers should have some training in the equipment themselves so that they became aware of what the machines could and could not do.

Another, more fundamental, complaint was that managers did not explain what they wanted from their secretaries. Some of them thought that a written description of the secretary's job would help. All of them thought that a departing secretary was the best person to write a job description for her successor.

The managers, in their own group, seemed to appreciate how important their secretaries were to them. "I notice that when my secretary goes on holiday and I get a lousy stand-in my output and effec-

Working relationships

Miracles take a little longer

Michael Skapinker on what managers and secretaries expect from each other



tiveness goes down by 40 per cent," one manager said. Others, however, mentioned a few practical difficulties. One manager recalled a secretary he once had whose devotion to routine conflicted with his own need to act flexibly.

"She loved getting dictation in the morning, so that she could produce letters for the 4 o'clock post. But I had to react to what my clients wanted. If they wanted a meeting at 8 or 9 o'clock in the morning, that's when I had to go," he said.

Others appreciated, however, that their flexibility made life difficult for their secretaries. "It's very hard for them to establish priorities if you come back during the day and keep changing those priorities," one manager said.

The managers had no doubt that their major criticism of secretaries was "It's the passivity," they said. The lack of ambition. They were frustrated by how few secretaries seemed interested in becoming anything else.

"It's a great sense of relief when you find someone who's prepared to take responsibility - who's not a secretary but an assistant manager," one manager said.

The managers who came to the seminar were, as Elaine Fear pointed out, a self-

seemed reluctant to say what they felt, although one did say that "there is a fear that if you show too much ambition people are going to think you're pushy."

"What's wrong with being pushy?" one of the managers protested. "If you're going forward, so is the whole boat. You keep on thinking that being a secretary is a humble role. It's not. I've lived under this one for six years," he said, referring to his own secretary. "The more powerful she becomes the more valuable she becomes to me."

The seminar was the first that Employment Relations has organised on managers and secretaries and there are some obvious improvements that need to be made. It would have helped if the co-ordinators had started by asking the participants what they hoped to get out of the seminar.

The co-ordinators themselves did far too much of the talking. The secretaries, in particular, sometimes found it difficult to get a word in.

But all the participants seemed relieved that some of the issues that had troubled them had been brought out into the open. Several said they thought the process of proper communication would begin during the journey back to the office.

SEVERAL ideas on how to produce happier managers and secretaries emerged from the seminar.

- The manager should attempt to define his or her own role within the organisation and then explain it to the secretary.

- The manager and secretary should discuss which of the manager's duties can be delegated to the secretary.

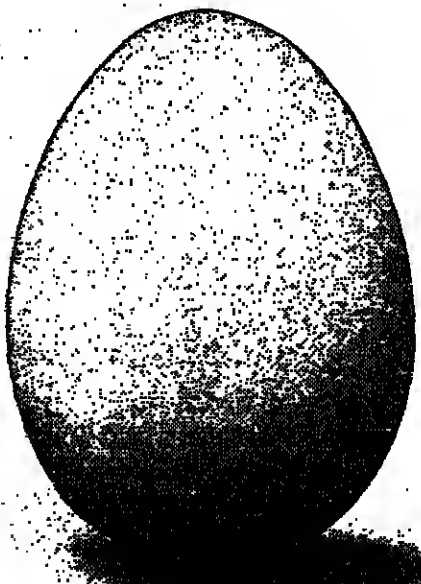
- The manager and the secretary should, together, draw up an inventory of the secretary's skills. Both might discover that the secretary has more skills than previously suspected.

- Both manager and secretary should spend a few minutes, if possible every day, discussing the other's programme and priorities.

- Both sides should attempt to lay down some rules in an attempt to head off any unnecessary resentment. Is the secretary expected to make coffee for the manager? To what extent can the manager ask the secretary to carry out personal tasks?

- Managers should have regular reviews with their secretaries during which they discuss their progress as a team.

How many leaders would stand an egg this way up if Columbus hadn't done it before them?



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Professor Marius Bayegan, President of IES Technology, is responsible for R & D and technology-based innovation in the IES Corporation, one of Scandinavia's largest industrial groups. Dr Bayegan has, over 15 years, worked in a number of leading research institutions and universities such as the Norwegian Institute of Technology in Trondheim and Stanford University, California, and has vast management training experience including periods spent at Jerni Barnum Associates in New York, the Institute of Organisation and Development in Oslo, and the Sloan Management School in Boston. Author of a large number of international technical publications, Dr Bayegan is Professor at the Norwegian Institute of Technology.

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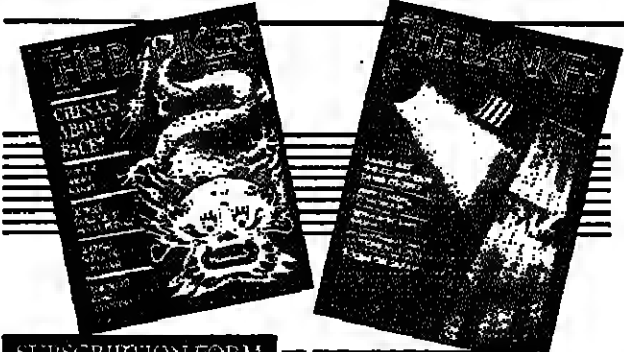
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COMMODITIES AND AGRICULTURE

Wool price surge raises fears of overheating

BY ALICE RAWSTHORNE IN MELBOURNE

AFTER WEEKS of rapidly rising wool prices, growers and traders in Australia are now bracing themselves for a downturn in the wool market. The consensus is that at some stage the market will falter; the only questions are how far prices will fall, and when.

This week saw the emergence of the first tangible evidence that wool users may be reacting to high prices. On Wednesday a Chinese delegation cut short its buying trip to Australia because, it complained, the wool price was too high.

As a result the price of Australian wool - which provides 70 per cent of the world's apparel wool - rose rapidly last year. The market faltered in late summer, but regained momentum in the autumn.



Little to prevent the price from rising.

The AWC's only solution has been to release on to the market the reserves of wool it bought to prevent the price falling below a minimum level in the past when times were tough. But these reserves are now almost exhausted.

Dominican nickel dispute continues

By Kenneth Gooding, Mining Correspondent

THE DISPUTE holding up shipments of ferro-nickel from the Dominican Republic, which accounts for about 5 per cent of the Western world's nickel output, is far from over.

This became clear yesterday when Falconbridge, the Canadian nickel mining group, indicated it had no idea when the next shipments would be permitted to leave. "That is up to the Dominican Government," said a Falconbridge official.

European Court rules against Britain in milk import case

BY TIM DICKSON IN BRUSSELS

FRESH MILK from Ireland and France could soon be appearing on supermarket shelves in Britain following an important judgement delivered yesterday by the European Court of Justice in Luxembourg.

The Court's ruling overturns a long-standing UK ban on pasteurised milk and unfrozen pasteurised cream from other member states of the European Community and upholds the European Commission's view that the prohibition was a barrier to free trade under Article 30 of the Treaty of Rome.

While the scope for large movements of a perishable product which in some parts of the EC is in short supply as a result of milk quotas would appear to be limited, experts in Brussels believe that Irish dairies may be poised to take advantage of the land border with Northern Ireland and that Normandy farmers could see new sales possibilities across the English channel.

During the Court hearing Britain sought to justify the import ban on health grounds and argued that it was entitled to lay down appropriate standards to guarantee the protection of consumers.

maintained that a total prohibition was "disproportionate" in relation to these objectives: that the UK had not shown why the legislation of other member states was inadequate and that tests could have been carried out to show that imported milk complied with its standards.

In upholding the Commission's case the court said that it was up to the UK to establish a system enabling importers to prove that their products comply with national standards. The UK was ordered to pay the costs.

Israel blocking Gaza fruit

BY ANDREW WHITLEY IN GAZA

THE SHIPMENT of eight cases of Gazan oranges to Brussels - a gift to Mr Claude Cheysson, the European Commissioner for Mediterranean Policy - has been blocked by the Israeli authorities for the past two weeks, in defiance of a written agreement with the European Community to permit the direct export of agricultural produce from the occupied Arab territories.

Brussels as blatant foot-dragging. The European Parliament decided last month to postpone endorsing the treaty in protest at Israel's rough handling of the unrest in the occupied territories, providing a crisis of confidence for Prime Minister Yitzhak Shamir. The repeated delays in implementing a draft agreement originally concluded 18 months ago have already cost Israeli farmers and flower growers several million dollars in lost revenue.

But the industry, particularly the orange sector, remains a mainstay of the local economy and could flourish again, given good prices and a reliable external market such as that potentially provided by the Community.

Sugar rallies after hitting 6-week lows

By David Blackwell

VOLATILE TRADING in the London raw sugar market yesterday saw prices recover from six-week lows in the afternoon following an early rally in New York.

The fundamentals which took prices to more than \$230 a tonne at the end of January now appear to be coming under reassessment, dealers said. "It is not as tight or run-down as seemed likely a few weeks ago," one commented. "The situation is very fluid."

The price of the May contract, which closed at \$196 a tonne on Wednesday, touched \$190 a tonne yesterday afternoon. Yesterday the US Department of Agriculture raised its projections for Soviet sugar production by 3 per cent to 9m tonnes, making it less likely to be such an active purchaser in the market.

Cocoa market down again

BY DAVID BLACKWELL

COCOA PRICES, which have fallen steadily since the International Cocoa Organisation (ICCO) started buying for its buffer stock on January 19, closed sharply again in London yesterday.

The price of the second position futures contract closed down \$22 at \$1,072 a tonne. On January 19 it was \$1,181. The buffer stock manager's purchase yesterday of 3,000 tonnes of cocoa takes his current holding to 198,000 tonnes - an increase of 23,000 tonnes since the ICCO agreed on the rules under which he was able to enter the market last month for the first time since June 1987.

Analysts believe his comparatively slow buying rate has enabled prices to continue their decline. The buffer stock is allowed to take up to 5,000 tonnes a day or 20,000 tonnes a week off the market. But the most the manager has bought in one day has been 4,000 tonnes - and on Monday he bought only a 1,000 tonne tranche. "He's fighting a losing battle, buying in such small quantities," said one analyst yesterday. "Overhauling the market is a huge world surplus of cocoa - on January 25 the ICCO raised its estimate for the 1987/88 surplus to 93,000 tonnes from a previous estimate of 36,000 tonnes."

In addition market forces are pushing countries of origin which have not sold any cocoa for months back into the market. The Ivory Coast alone is believed to have sold 50,000 tonnes towards the end of last month. However, once the buffer stock reaches 200,000 tonnes, at 30 per cent of the maximum 250,000 tonnes the ICCO will hold a special session to discuss the implementation of a withholding scheme designed to take a further 120,000 tonnes of cocoa off the market.

Rubber price falls below pact ceiling

BY WONG SULONG IN KUALA LUMPUR

THE PRICE of natural rubber has fallen below the International Natural Rubber Organisation's "must sell" level of 242 Malaysian/Singapore cents a kg following substantial sales in recent weeks by the organisation's buffer stock manager. The price breached the most sell level for the first time early last month, and reached a high of 248 cents in mid-January. It has fallen back to around 241 cents this week. Producers are taking the decline in their stride, however, saying it is largely due to

buffer stock sales, and that the underlying fundamentals remain strong. Since he started selling last September, the bun is believed to have unloaded about 130,000 tonnes from his 370,000 tonne stockpile. "I am not too worried about the price falling below the must sell level. Demand for natural rubber still very strong," said Datuk Ahmad Sabki Jahidin, chairman of the Malaysian Rubber Exchange. "I have met buyers from Europe and Japan and they

said that tyre production in their countries is not declining. Tyre production for domestic consumption in Japan rose 10 per cent in 1987, and with their improving economy and strong yen, we can expect an increase in Japanese demand." He said the market was also expecting the Soviet Union to make substantial purchases in the coming weeks. Malaysian producers say production is currently at its peak, but wintering is expected to set in by late February, sharply reducing output.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns for Commodity, Close, Previous, High/Low. Includes Gold, Silver, Copper, Lead, Zinc, Tin, and various oil products.

SPOT MARKETS

Table with columns for Commodity, Price, Change. Includes Crude oil, Premium Gasoline, Gas Oil, Heavy Fuel Oil, Naphtha, Petroleum Argus Estimates, and various other spot market items.

COCOA \$/tonne

Table with columns for Month, Close, Previous, High/Low. Lists cocoa prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

COFFEE \$/tonne

Table with columns for Month, Close, Previous, High/Low. Lists coffee prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

SUGAR \$/cwt

Table with columns for Month, Close, Previous, High/Low. Lists sugar prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

CRUDE OIL \$/barrel

Table with columns for Month, Close, Previous, High/Low. Lists crude oil prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

GRAINS \$/cwt

Table with columns for Month, Close, Previous, High/Low. Lists grain prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

LONDON METAL EXCHANGE

Table with columns for Commodity, Price, Change. Lists prices for Aluminium, Cash, Tin, Silver, Lead, Zinc, and Copper.

POTASSIUM \$/tonne

Table with columns for Month, Close, Previous, High/Low. Lists potassium prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

SOYABEAN MEAL \$/tonne

Table with columns for Month, Close, Previous, High/Low. Lists soyabean meal prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

FRIGHT FUTURES \$/index point

Table with columns for Month, Close, Previous, High/Low. Lists freight futures prices for Mar, May, Jul, Sep, Nov, Jan, Mar.

US MARKETS

Table with columns for Commodity, Price, Change. Lists prices for Precious Metals, Crude Oil, Heating Oil, and various other US market items.

NEW YORK

Table with columns for Commodity, Price, Change. Lists prices for Gold, Silver, Platinum, and various other New York market items.

CHICAGO

Table with columns for Commodity, Price, Change. Lists prices for Soyabean Meal, Soyabean Oil, and various other Chicago market items.

APPOINTMENTS ADVERTISING

Advertisement for appointments advertising, listing services and contact information for Tessa Taylor, Deirdre Venables, Paul Maraviglia, and Elizabeth Rowan.

Handwritten Arabic text at the bottom of the page.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls after firm start

THE DOLLAR's stronger opening in London continued a trend started in the Far East but quickly ran out of steam. After the first hour, the US unit was virtually put on ice as traders grappled with the prospect of tackling key resistance levels around DM1.70 and Y130. There was also a growing suspicion that the dollar's continued improvement was more and more likely to attract the attention of central banks.

due after the close of business in London. One analyst stressed that although the level of participation was regarded as important, there was also concern about how long Japanese investors would actually hold the paper, pointing out that a poor US unemployment figure today could more than offset the US/Japan interest rate gap, by pushing the dollar weaker.

The dollar closed at DM1.6805 from DM1.6880 and Y128.50 compared with Y127.90. Elsewhere it improved to SF1.3820 from SF1.3795 and FF5.7025 compared with FF5.6925. On Bank of England figures, the dollar's exchange rate index rose from 94.5 to 94.0.

FINANCIAL FUTURES

Bonds wait for auction result

US TREASURY bond futures traded nervously on Liffe yesterday, ahead of the US Treasury's auction of \$8.75bn 30-year bonds.

Economic fundamentals have pointed towards a slowing of US growth and a decline in interest rates. This was expected to produce healthy bidding at last night's auction, although there was some nervousness after a disappointing result to Wednesday's 10-year sale.

employment data. If the growth in non-farm payrolls is above 150,000 in January, the market may begin to doubt forecasts of a marked economic slow down.

£ IN NEW YORK

Table with 3 columns: Feb 4, Last, Previous. Rows include 6 spot, 1 month, 3 month, 6 month, 12 month.

CURRENCY RATES

Table with 4 columns: Feb 4, Bank, Special, European. Rows include Sterling, US Dollar, Canadian Dollar, Australian Dollar, etc.

CURRENCY MOVEMENTS

Table with 4 columns: Feb 4, Rank of Index, Morgan, Changes %. Rows include Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table with 4 columns: Feb 4, £, \$, S. Rows include Argentina, Brazil, Finland, Hong Kong, etc.

MONEY MARKETS

A nervous tone

A NERVOUS tone continued in London's financial markets yesterday. Dealers were more cautious than in the afternoon, but in the bank bills market there was enough to cause problems about the level of money supply and high bank lending.

FT LONDON INTERBANK FIXING

Table with 4 columns: 3 months US dollars, 6 months US Dollars, 3 months UK £, 6 months UK £.

NEW YORK MONEY RATES

Table with 4 columns: Price rate, Fed funds rate, Bankers' acceptance, etc.

LONDON MONEY RATES

Table with 4 columns: Overnight, 7 day, 1 month, 3 months, 6 months, 12 months.

LIFFE LONG GILT FUTURES OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 120, 125, 130, 135, 140.

LIFFE US TREASURY BOND FUTURES OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 82, 84, 86, 88, 90.

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 16000, 16500, 17000, 17500.

LIFFE EURO-DOLLAR OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 90, 92, 94, 96.

LIFFE EURO-DOLLAR OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 90, 92, 94, 96.

LIFFE EURO-DOLLAR OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 90, 92, 94, 96.

PHILADELPHIA SE 2½% OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 110, 115, 120, 125.

LIFFE EURO-DOLLAR OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 90, 92, 94, 96.

LIFFE EURO-DOLLAR OPTIONS

Table with 4 columns: Strike, Call, Put, Puts. Rows include 90, 92, 94, 96.

THREE MONTH STERLING

Table with 4 columns: Mar, Apr, May, Jun. Rows include 119.25, 119.25, 119.14, 120.13.

U.S. TREASURY BOND (90%)

Table with 4 columns: Mar, Apr, May, Jun. Rows include 93.29, 94.04, 93.23, 94.09.

JAPANESE YEN (100)

Table with 4 columns: Mar, Apr, May, Jun. Rows include 17.98, 17.98, 17.98, 17.98.

U.S. TREASURY BOND (90%)

Table with 4 columns: Mar, Apr, May, Jun. Rows include 93.29, 94.04, 93.23, 94.09.

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CURRENCY CROSS RATES

Table with 4 columns: Feb 4, £, \$, S. Rows include DM, FF, SF, etc.

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CURRENCY CROSS RATES

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Legal Notices

NOTICE OF AN EVENT OF DEFAULT MORAN INTERNATIONAL ENERGY, N.V. 5% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1988

Company Notices

NOTICE IS HEREBY GIVEN that the internet period commencing 8th February 1988...

CLASSIFIED ADVERTISEMENT RATES

Table with 4 columns: Per column, line (min 3 lines), cm (min 3 cm), single. Rows include Appointments, Commercial and Industrial Property, etc.

PROPERTY TO RENT

Furnished lettings Company and Embassy Lets Long and Short Term All appear in the FT every Monday

FT 100

Feb. 13/91/407 +6 Mar. 13/91/411 +6

FTSE 100

Feb. 17/48/1760 +10 Mar. 17/35/1765 +10

WALL STREET

Feb. 19/13/1929 +5 Mar. 19/17/1933 +4

\$ WORLD VALUE OF THE DOLLAR BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, February 3, 1988.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto. 24-hours a day trading capability.

Large table with 4 columns: COUNTRY, CURRENCY, VALUE OF DOLLAR, COUNTRY, CURRENCY, VALUE OF DOLLAR. Rows include Afghanistan, Albania, Algeria, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Stock prices for various European options.

BASE LENDING RATES

Table listing base lending rates for various banks and currencies, including UK, US, and other international rates.

CLASSIFIED ADVERTISEMENT RATES

Table showing rates for classified advertisements in different categories like Commercial and Industrial Property, Residential Property, etc.

FT CROSSWORD No.6,548 SET BY GRIFFIN

Crossword puzzle grid with numbers indicating starting positions for clues.

- ACROSS clues: 1 Man takes bus back to lodge (6), 4 Son cried, confusing judge (8), etc.

Solution to Puzzle No.6,547: A grid of letters forming words like JUICE, CHAIR, etc.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance metrics.

Handwritten Arabic text at the bottom of the page.

half in 10

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various categories like 'Legal & General (Unit Providers)', 'Municipal Life Assurance Ltd', 'British National Financial Services', etc. Each entry includes a company name, address, and a list of unit trusts with their respective values and performance metrics.

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: 10/11/87

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

BRITISH FUNDS

Table of British Funds, listing fund names, prices, and performance metrics.

Table of British Funds - Contd, continuing the list of funds and their details.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing international bond and rail investments.

AMERICANS

Table of American Stocks, listing US equities and their market data.

INT. BANK AND D'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues.

CORPORATION LOANS

Table of Corporation Loans, listing corporate debt instruments.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans, listing international development financing.

LOANS

Table of Loans, listing various debt securities.

PUBLIC BOARD AND FINANCIAL

Table of Public Board and Financial data, including company news and financial results.

Money Market

Table of Money Market, listing interest rates and money market instruments.

Trust Funds

Table of Trust Funds, listing various trust investment vehicles.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing bank deposit rates and services.

Various financial notes, market commentary, and company announcements.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS Contd

Table listing building, timber, and roads stocks with columns for stock name, price, and change.

DRAPERY AND STORES - Contd

Table listing drapery and stores stocks with columns for stock name, price, and change.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and change.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns for stock name, price, and change.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel.)

Table listing industrial stocks with columns for stock name, price, and change.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks with columns for stock name, price, and change.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and change.

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Table listing industrial stocks with columns for stock name, price, and change.

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Handwritten note: "Half price"

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices, including News International, Reed International, and others.

TEXTILES - Contd

Table listing textile companies and their share prices, including British Textiles, J. H. Rayner, and others.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies and their share prices, including British Land, National Westminster, and others.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including British Petroleum, Shell, and others.

MINES - Contd

Table listing mining companies and their share prices, including Anglo American, De Beers, and others.

LEISURE

Table listing leisure companies and their share prices, including British Skyways, British Airways, and others.

PROPERTY

Table listing property companies and their share prices, including British Land, National Westminster, and others.

TABBACOS

Table listing tobacco companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices, including British Land, National Westminster, and others.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

MISCELLANEOUS

Table listing miscellaneous companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices, including British Leyland, British Aerospace, and others.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including British Leyland, British Aerospace, and others.

COMPANIES

Table listing various companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

GARAGES AND DISTRIBUTORS

Table listing garage and distributor companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

PLANTATIONS

Table listing plantation companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

THIRD MARKET

Table listing third market companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including British Leyland, British Aerospace, and others.

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NOTES

Notes section providing additional information and commentary on the market, including details on share prices and company performance.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices, including News International, Reed International, and others.

SHIPPING

Table listing shipping companies and their share prices, including British Skyways, British Airways, and others.

SHOES AND LEATHER

Table listing shoe and leather companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

SOUTH AFRICANS

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TEXTILES

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REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices, including Anglo Siam, Anglo Japanese, and others.

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TRADITIONAL OPTIONS

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LONDON STOCK EXCHANGE

Bonds shade lower while equities remain becalmed in lacklustre trading

Account Dealing Dates
First Declared Last Account
Dealing Date Dealing Day
Jan 11 Jan 21 Jan 22 Feb 1
Jan 25 Feb 5 Feb 8 Feb 15
Feb 8 Feb 18 Feb 19 Feb 29
* Some deals may have value dates from 20 to two business days earlier.

THE UK SECURITIES markets, with little cause for optimism on the domestic front and Wall Street providing no encouragement either, drifted aimlessly yesterday. The City was depressed by another round of redundancies involving two of the largest London securities firms, both stalwarts of the old pre-Big Bang trading era.

Tricentrol, kept all shares on the boil. Even in this sector, however, at least three international securities houses were believed to have advised clients that the fun is over, and that share prices have peaked.

Government bonds continued to follow the lead from the long-dated US Treasury market, which turned easier overnight as New York braced itself for the next round of the Federal financing programme.

FINANCIAL TIMES STOCK INDICES
Table with columns for Government Securities, Fixed Interest, Ordinary V, Gold Mines, Div. Yield, Earnings Yld, P/E Ratio, SEAG, Equity Turnover, Equity Margins, Shares Traded, and various indices for 1987/88.

London Report and Latest Share Index: TEL 01-0898 123001

B & D's decision following a study of Dea's "disappointing profit forecast". Barker and Dobson remain confident that its original offer can win the day, but analysts are unanimous in thinking that the current bid will fall as doubts remain over the worth of B & D paper and whether Barker and Dobson could dispose of Dea's non-core activities to concentrate on the supermarket business.

21st Aerospace Engineering down a couple of pence more at 116p, continued to drift lower in the wake of the half-year figures.

More than 9m Telecom shares changed hands with buyers getting the upper hand, boosting the stock 2 to 24 1/2p and talk of a stock shortage. Ferranti, where turnover topped 7m shares, moved up 3 1/2 to 80 1/2p in the wake of heavy buying by at least three major securities houses.

Financials were noteworthy for a rise of 22 at 400p, opened cautiously in the wake of Wall Street's fall overnight with losses of a few pence. However, confidence gradually returned and the leaders finished with modest gains on balance.

Rank Organisation returned to prominence at 633p, up 17, after the recent strong run on the preliminary figures. In a review of the company Morgan Grenfell (MG), the investment house, is looking for further earnings growth of around 16 per cent in 1987/8.

Financials were noteworthy for a rise of 22 at 400p, opened cautiously in the wake of Wall Street's fall overnight with losses of a few pence. However, confidence gradually returned and the leaders finished with modest gains on balance.

USM quoted Aspen Communications, a current Wood Mackenzie buy recommendation.

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of Equities Groups & Sub-sections for Thursday February 4 1988. Columns include Index No., Day's Change %, and various sub-sections like CAPITAL GOODS, BUILDING MATERIALS, etc.

FT-SE 100 SHARE INDEX: 1766.9 (+0.6)

FIXED INTEREST

Table of Fixed Interest rates and yields. Columns include Price Indices, British Government, and Average Gross Redemption Yields for various terms.

LONDON TRADED OPTIONS

Table of London Traded Options. Columns include Option, Calls, Puts, and various option contracts like L&M, R.A.B., etc.

TRADING VOLUME IN MAJOR STOCKS

Table of Trading Volume in Major Stocks. Columns include Stock, Value, and various stock names like ASDA, Allied-Lyons, etc.

RISES AND FALLS YESTERDAY

Table of Rises and Falls Yesterday. Columns include British Funds, Corporate Bonds, Financial and Properties, etc.

LONDON RECENT ISSUES

Table of London Recent Issues. Columns include Issue, Price, and various new issues like 77 1/2, 81 1/2, etc.

FIXED INTEREST STOCKS

Table of Fixed Interest Stocks. Columns include Issue, Amount, Date, and various fixed interest stocks.

RIGHTS OFFERS

Table of Rights Offers. Columns include Issue, Amount, Price, and various rights offers.

* Flat yield. High and low record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, plus p.p. 5p.

Handwritten note: 150

Handwritten scribble at the top center of the page.

WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Germany, Netherlands, and Switzerland. Columns include stock names, prices, and changes.

CANADA

Table of Canadian stock market data, including Toronto closing prices for February 4. Lists various stocks and their performance.

Table of stock market data for Japan, Australia, and other regions. Includes company names, prices, and market indices.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of over-the-counter stock prices from the Nasdaq national market, listing various securities and their closing prices.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table showing price changes for various commodities and currencies in London, including gold, oil, and the pound sterling.

Indices

Table of financial indices including the Dow Jones Industrial Average, Nikkei, and other regional market indicators.

TOKYO - Most Active Stocks Thursday February 4 1988

Table of the most active stocks in Tokyo for Thursday, February 4, 1988, listing stock names and their trading volumes.

Advertisement for N. AMERICAN QUARTERLY RESULTS, featuring a large graphic and text about financial reports and contact information for Milano.

NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include 12 Month High, Low, Stock, P/E, Div, and Change. Includes sub-sections for 'Continued from Page 38' and 'Over-the-Counter'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, P/E, Div, and Change. Includes sub-sections for 'Continued from Page 38' and 'Over-the-Counter'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter Nasdaq national market closing prices. Columns include Stock, Sales, High, Low, Last, and Change. Includes sub-sections for 'Continued from Page 38' and 'Over-the-Counter'.

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AMERICA

Dow makes slight rise as regulation debate heats up

Wall Street

DAILY TRADING in the equity market is becoming no more than a sideshow to the intensifying debate about market regulation and securities industry structure, writes Janet Bush in New York.

No one can give any convincing reasons for the day-to-day movements in the Dow Jones Industrial Average at the moment. It closed yesterday 1 point lower at 1,923.57. In the first three days this week, the index fell 13.59 points, rose 8.29 points and plunged 28.35 points respectively. Last week saw three daily gains and two daily falls.

Volume only rises to respectable levels when there is a large amount of takeover activity or when stocks are about to ex-dividend, which gives traders a reason to play the market when very little else is providing a lead.

Every day the Dow musters a gain, analysts start talking of a more positive tone in the market. And every time they say it, the Dow quickly drops back again. These are symptoms of a bear market. It is undramatic and difficult to make money in. As the Securities and Exchange Commission pointed out in its report earlier this week, the market is still suffering the after-effects of the crash last October. There is evidence of this in the various indicators of performance compiled by stock exchange specialists. While these have all improved since the dark days of late October last year, they are still not back to normal.

Programme trading is still a

major concern for specialists. Some top Wall Street executives were called into the New York Stock Exchange yesterday to discuss the matter and several said that the current NYSE-imposed limits on using the electronic Superior system to execute programme trading were inadequate.

The curbs currently come into effect if the Dow rises or falls more than 75 points. This has not happened since the curbs were announced, but many believe this is not because of the stock exchange's limits.

The fate of programme trading adds a layer of uncertainty to an already directionless market. Investigations of some specialists' performance are another area of worry. Moreover, the power battle is holding up between the various groups of market makers and financial markets, so it is likely the stock market will move only in a narrow range with little activity by investors.

The bond market, which is hardly affected by the politics and practicalities of regulation, is trading in a more normal fashion. Yesterday prices continued to drop, partly to correct the substantial rally of last week but also because of what was generally regarded as the disappointing demand at Tuesday's auction of three-year notes and Wednesday's Treasury sale of 10-year notes.

The focus on Thursday was on the last of this week's auctions, which will offer 30-year bonds. The Treasury's current benchmark 30-year bond issue stood 3 points lower in late trading yesterday to yield 8.43 per cent. The average yield at the auction was 8.51 per cent. There was little reaction to

news that initial claims for state unemployment insurance fell by 38,000 in the week ended January 23 after strong rises in previous weeks. Ms Maria Ramirez, economist with Drexel Burnham Lambert, noted that claims had fallen to five of the past seven years in the same January week. More crucial for the bond market will be today's unemployment figures.

A number of retailers announced January sales figures yesterday. F.W. Woolworth said its sales had risen 12.2 per cent in the four weeks ended January 30 compared with a year earlier. J.C. Penney saw sales increase 8.3 per cent in the same period and K Mart had a 6 per cent rise. Woolworth's sales rose 5.4% to \$404, J.C. Penney slipped 5% to \$420 and K Mart dropped 4% to \$303.

Among companies reporting latest results were Chrysler, which had dropped 8% to \$284. The company reported increased net earnings in the fourth quarter of \$1.57 compared with \$1.48 a year earlier. Chrysler also announced its directorate had voted to adopt a share purchase rights plan as a measure to defend itself against takeover.

Canada

THE MARKET was buoyed by advances in golds, energy issues and base metals, helping Toronto stocks to close higher in mixed, moderately active trading.

The composite index, which had gained about 16 points in earlier trading, finished 12 points up at 3,000.7 as declines outpaced advances by 48 to 351 on volume of 29.6 million shares.

Former bullion prices removed selling pressure from the golds, which were broadly higher, with Lac Minerals gaining 3% to C\$104, International Corona climbed 2% to C\$102 and Dome moving ahead 3% to C\$144.

Polyar Energy, which topped the list of most active industrials, rose 3% to C\$164. Polyar said it would restructure the company.

Hong Kong takes new look at settlements

By Gordon Cramb in London

THE YEAR of the Dragon, which begins this month, will bring the Hong Kong Stock Exchange the first outlines of a comprehensively overhauled settlement system which Mr Robert Fell, drafted in late last year as interim chief executive, sees as the most important element in restoring the market's bruised investor image.

In one way the issue has, for the moment, largely solved itself. With daily turnover down to as little as a tenth of the HK\$5bn peaks seen last summer, the messenger industries which traverse the territory each evening delivering scrip have had their ranks markedly depleted.

The level of business is back to the average for 1986, the year when the four old exchanges were made into a screen-based price system was introduced. That revamp left untouched the require-

ments for settling deals, carried out between brokers in the absence of any central clearing house.

Share certificates are meant to be delivered the following day. The time limit was transferred to signed by the vendor, whose broker is responsible for making sure all this is done.

Six months ago, when share prices were rising unrelentingly, the time limit was largely unobserved. However, the fracture of market confidence after Black Monday - which for Hong Kong included a four-day closure, the arrest of three senior exchange officials on corruption charges, and the launch of an inquiry into exchange workings - has re-emphasised the need for a system which promotes liquidity while protecting against default.

Mr Fell acknowledges that changes will be difficult to bring about if they are to please everyone. "The local brokers like same-day settlement because it ties the client in," he says. "But the foreign investor would be glad of a more convenient mechanism, on a rolling account of three to five days."

He wants to move to a depositary system where all scrip is held by a central authority on behalf of the client. It would be about two years before this was fully up and running, though, and work could not start in earnest until the findings of Mr Ian Hay Davison's special committee are made public, probably in May.

Mr Fell is anxious to find a temporary solution, the exact shape of which remains undecided, but may at least bring handover and payment to one central point. The ultimate model is likely to be the Taiwan electronic system of which he was architect while at the London Stock Exchange: Mr Michael Baker, director for markets at the International Stock Exchange in London, visited Hong Kong last month and recommended that exchange authorities there should start monitoring immediately to forestall any future backlogs.

A settlement project has been launched, carrying the status of a limited company, and may be the embryo from which a depositary will emerge. It is financed by the Hong Kong Stock Exchange and the territory's banks, which are useful commissions from foreign investors through securities accounts which store their share certificates. Safe custody can cost up to HK\$6,000 a year.

EUROPE

Firmer dollar lends limited support

THE FIRMER dollar lent only marginal support to European markets yesterday as confidence about the US currency's long-term prospects remained shaky. Many markets reacted to domestic factors, with Belgian and Italian shares showing the most dramatic fluctuations.

BRUSSELS continued to rise strongly and the session had to be extended by 45 minutes to deal with the heavy volume of trading. The cash market index gained 101.8 to a new 1988 high of 4,115.5.

Société Générale de Belgique attracted further heavy interest, rising Bp260, or over 7 per cent, to Bp5,850.

Local players reinvesting money raised from selling La Générale shares helped Petrofina to soar Bp2,000, or 12 per cent, to Bp10,500.

MILAN continued to be pulled lower by shares in the Ferruzzi-Montedison group and another crisis in the Government deepened the gloom. The Banca Commerciale Italiana index was down 5.36 to 431.48, with a sharper loss averted by a rally in blue chip industrials.

Montedison lost 1.52, or 4.8 per cent, to L1,010 and a key

London

UK EQUITIES drifted aimlessly in sleepy trade as investors received no encouragement from Wall Street or domestic news. Prices edged modestly higher before slipping back.

At the close of the session, the FT-SE 100 index was a net 0.6 higher at 1,766.5. UK Gilts opened easier, and were showing falls of about 1/4 before steadying.

Ferruzzi holding company Siles Di Genova gave up L20 to L390, down 4.0 per cent. However, Iniziativa Meta, rose L100 or 1.2 per cent, to L8,410.

FRANKFURT saw a day of choppy, active trading with an early rally brought to an abrupt halt by heavy profit-taking leaving shares broadly mixed.

The Commerzbank index rose 2.5, or 1.9 per cent, to 1,373.1 but did not reflect the late sell-off.

News that unadjusted West German employment rose in January also dampened enthusiasm in the afternoon.

German bonds ended little changed. The Bundesbank bought DM33.8m of paper after selling DM101.5m on Wednesday.

ZURICH staged an upturn in moderate trading as the firmer dollar encouraged light buying. The Credit Suisse index added 5.5 to 421.3.

Insurers were broadly higher and among industrials Gebrüder Fischer climbed SFr46 to SFr740 and Oerlikon-Bührle, which expects to post a loss for 1987, gave up SFr5 to SFr530.

AMSTERDAM turned mixed as the market responded cautiously to the higher dollar. The ANP-CBS index dipped 0.6 to 219.9, largely influenced by Unilever's 30 cent loss to Fl 108.50 but other blue chip shares were higher. Also added 10 cents to Fl 89.90, and Royal Dutch rose 40 cents to Fl 213.40.

KLM, which posted a substantial rise in third quarter net profits, ended Fl 1.10 higher at

Fl 30. PARIS was supported by the firmer dollar and lively speculation over the possibility of further takeover bids. The CAC index rose 4.5 to 267.0 as most sectors advanced.

In banks, Financière de Suez climbed Ffr18 to Ffr254 on indications that it has been an active buyer of Société Générale de Belgique stock.

MADRID eased as modest losses in most sectors offset small gains by investment funds and steel companies. The general index slipped 0.64 to 245.87 in very quiet trading.

STOCKHOLM advanced as strong domestic liquidity and the firmer dollar boosted the market. The Affärsvarlden general index rose 3.6 to 762.6 in moderate trade.

Forestry issues climbed but blue chip engineering declined due to the continuation of a labour conflict which has cut production.

OSLO ended an uneventful session little changed. The all-share index tumbled 0.36 to 254.24 in moderate volume. Oil recovered after recent falls but industrials continued to slide.

ASIA

Second-liners lead Nikkei higher

conductor technology.

Financials were broadly higher with Sumitomo Bank and Fub Bank firming Y80 each to Y8,540 and Y3,300 respectively and Tokio Marine and Fire Insurance putting on Y40 to Y1,940.

Active retail interest in the second section continued. The 443-share second section has climbed over the past 12 days as interest in the first section dwindled in the absence of market-moving news.

Sanyo-Kokusaku Pulp advanced Y20 to Y772 in heavy trade and Sanyo Electric firmed Y15 to Y506 after reports it had developed an extremely thin superconductive film.

The yen's slide against the dollar prompted selective and light buying of steels and hi-techs. Interest was dampened, however, by concern over the long-term outlook on the foreign exchange market. Nippon Steel gained Y8 to Y889, but Hitachi shed Y10 to Y1,220.

Toshiba was actively traded and gained Y14 to Y780 after surging Y21. The upturn followed a report that leaders of the House of Representatives

had agreed a milder version of an omnibus trade bill provision seeking to penalise companies of the Toshiba group.

Bonds rallied on speculative buying after the Bank of Japan cut rates on one and three-month discount bills.

The yield on the bellwether 5.0 per cent government bond maturing in December 1997 plunged to 4.100 per cent from Wednesday's close of 4.130 per cent in block trading on the Tokyo Stock Exchange. It later slipped further to 4.096 per cent in inter-dealer trading.

Equities continued to advance on the Osaka Securities Exchange, with the OSE stock average adding 73.51 points to 23,185.09. Turnover rose by 12m shares to 96m.

Kinki Nippon Railway surged Y44 to Y960 on the strength of its reported involvement in a large development project.

NERVOUS investors continued to liquidate their positions as the market opened on a weak

note following Wall Street's overnight fall and a lower Hong Kong stock market. Light, selective buying, however, averted a steep decline.

The Straits Times industrial index fell 13.45 to 882.05 in thin turnover.

Among blue chips, Cold Storage fell 16 cents to S\$3.60 and Malaysian Breweries gave up 66 cents to S\$8.50.

A FURTHER fall in the gold price and Wall Street's overnight decline sparked another round of selling in Sydney, dragging resource stocks sharply lower.

The All Ordinaries index dropped 26.1, or 2 per cent, to 1,222.1 and the gold index fell 109.2, or 6.8 per cent, to 1,480.8 in thin and nervous trading.

Metana plunged 80 cents to A\$7.30, Renisoo dropped 50 cents to A\$7.10, Ninghai Mining 50 cents to A\$3.50 and Western Mining 36 cents to A\$4.26.

Singapore

SOUTH AFRICA

SELECTIVE buying by institutions and a slight recovery in the bullion price to above \$440 left gold shares in Johannesburg firmer after a weak start. Heavyweight Southwaal rose R3 to R18 after falling to R10 and Beatrix closed 75 cents higher at R13 after dropping to

R12. Vaal Reefs rose R5 to R271 and Defontein made up R1.75 to R31.75. In mining houses, Anglo gained 35 cents to R45.25 and Gencor eased R1 to R42. Diamond share De Beers, which posted a series of falls, put on 50 cents to R24.25.

Richard Gourlay reports on a shift of mood in the Philippines

Oil fever grips Manila markets

LIVELY INTEREST in mining stocks and daily drifting reports on a wildcat oil well have taken over from politics in the past three months as the driving force behind the Philippine stock markets.

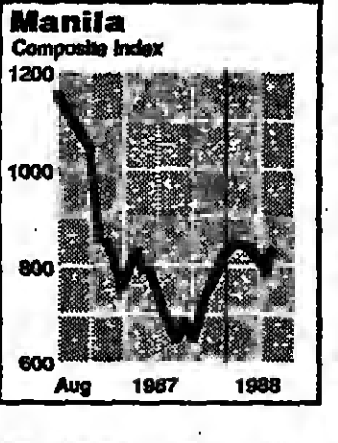
The composite index on the Manila Stock Exchange yesterday closed 17 points higher at 838, having fallen to a year's low of 775 on Monday after a week of sliding prices. Volume, however, remained a low \$4m on Manila's two exchanges.

Interest in the commercial index, which has been dull recently, was sparked by Anscor Corp announcing it would double its authorised capital to \$49m and by a 6 peso rise to 124 pesos for San Miguel, the beer-based conglomerate. Despite many company reports of record 1987 sales, the sector has recently been eclipsed by interest in oil and mining.

Oils have dominated the market in excitement if not in volume. Drilling of a prospective oil well by Victoria Inc, a consortium of mainly Filipino companies, in Tarlac province north of Manila is approaching a critical level of 13,200 feet.

Almost foot-by-foot reports on gas and temperature levels and a bullish estimate of reserves by the drilling company have lifted prices of central Petroleum, the most heavily traded member of the consortium, by 30 per cent.

Some oil industry experts say seismic reports of the site last



The Manila mining index drifted 132 points lower to 5,100 yesterday, having hit a high of just over 5,900 on January 8.

Such market fundamentals were also stifled, politics is being taken second place. Local elections last month reinforced a process of political stabilisation that began with the capture last December of a rebel colonel who led a coup that narrowly failed to topple President Corason Aquino in August.

Brokers said the elections added another necessary pillar of support for the administration, after two years of local government by appointed officials, but that the markets were largely unaffected by their outcome.

Moreover, as the fallout from the October crash has driven many foreign fund managers back to their home markets, the dominance of local investors and the two Manila exchanges has grown. Filipinos have begun to react less directly to dips in the Dow Jones index, making the market more like the pre-October days when it was largely isolated from events in the outside world.

"The umbilical cord tying the local market to the Dow Jones is beginning to break," says Mr Chito Gonzalez of brokers Anscor Haggerdorn.

Investors remain keenly aware, however, that a US recession would hit the Philippines particularly hard.

FT - ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Wednesday February 3 1988, Tuesday February 2 1988, and Dollar Index. Rows list various countries and their stock indices, including Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan, and The World Index.



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